



\$173,370,000
METROPOLITAN TRANSPORTATION AUTHORITY
Transportation Revenue Refunding Bonds, Series 2005H

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2005H Bonds are being issued to refund the principal portion of MTA's Transportation Revenue Variable Rate Refunding Bonds, Series 2002C (Federally Taxable).

The Series 2005H Bonds—

- are MTA's special, not general, obligations, payable solely from the revenues of the transit and commuter systems and other sources pledged to bondholders as described in this official statement, and
- are not a debt of the State or The City of New York or any other local government unit.

MTA has no taxing power.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming compliance by MTA with certain covenants, interest on the Series 2005H Bonds is

- *excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,*
- *not a preference item for a bondholder under the federal alternative minimum tax, and*
- *included in the adjusted current earnings of certain corporations under the federal corporate alternative minimum tax.*

Also, in Bond Counsel's opinion, under existing law, interest on the Series 2005H Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State, including The City of New York.

The Series 2005H Bonds are not subject to redemption prior to maturity.

The Series 2005H Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through DTC's facilities, on or about December 7, 2005.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2005H Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

JPMorgan

Bear, Stearns & Co. Inc.
Lehman Brothers

Advest, Inc./Lebenthal & Co.
Jackson Securities
Raymond James & Associates, Inc.
Siebert Brandford Shank & Co., LLC

Citigroup
Merrill Lynch & Co.

Banc of America Securities LLC
LaSalle Financial Services, Inc.
RBC Capital Markets

UBS Financial Services Inc.

First Albany Capital Inc.
Morgan Stanley

Commerce Capital Markets
Ramirez & Co., Inc.
Roosevelt & Cross, Inc.
Wachovia Bank, N.A.

\$173,370,000
Metropolitan Transportation Authority
Transportation Revenue Refunding Bonds, Series 2005H

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> <u>Number</u> <u>(59259R)⁽¹⁾</u>
2006	\$19,570,000	4.250%	3.20%	C44
2007	8,000,000	3.300	3.34	C51
2007	13,655,000	5.000	3.34	C69
2008	5,000,000	3.400	3.45	C77
2008	17,950,000	5.250	3.45	C85
2009	1,680,000	3.500	3.58	C93
2009	22,855,000	5.250	3.58	D27
2010	1,665,000	3.625	3.70	D35
2010	24,615,000	5.250	3.70	D43
2011	2,690,000	3.750	3.80	D50
2011	25,530,000	5.250	3.80	D68
2012	3,150,000	3.800	3.88	D76
2012	27,010,000	5.250	3.88	D84

The Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Series 2005H Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.

⁽¹⁾ CUSIP numbers have been assigned by an organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2005H Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2005H Bonds or as indicated above.

Metropolitan Transportation Authority
347 Madison Avenue
New York, New York 10017
(212) 878-7000
Website: www.mta.info

Peter S. Kalikow	Chairman
David S. Mack	Vice-Chairman
Edward B. Dunn	Vice-Chairman
Andrew B. Albert	Non-Voting Member
John H. Banks	Member
James F. Blair	Non-Voting Member
Nancy Shevell Blakeman	Member
Anthony J. Bottalico	Non-Voting Member
Michael J. Canino	Non-Voting Member
Barry L. Feinstein	Member
James H. Harding, Jr.	Member
Susan L. Kupferman	Member
Mark D. Lebow	Member
James L. McGovern	Non-Voting Member
Susan G. Metzger	Member
Mark Page	Member
Mitchell H. Pally	Member
Francis H. Powers	Member
Andrew M. Saul	Member
James L. Sedore, Jr.	Member
Ed Watt	Non-Voting Member
Carl V. Wortendyke	Member

Katherine N. Lapp	Executive Director
Gary M. Lanigan	Director, Budgets and Financial Management
Catherine A. Rinaldi, Esq.	Deputy Executive Director and General Counsel
Patrick J. McCoy	Director of Finance

HAWKINS DELAFIELD & WOOD LLP
New York, New York
Bond Counsel

GOLDMAN, SACHS & CO.
New York, New York
Financial Advisor

SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2005H Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.
Bonds Being Offered	Transportation Revenue Refunding Bonds, Series 2005H.
Purpose of Issue.....	To refund the principal portion of MTA’s Transportation Revenue Variable Rate Refunding Bonds, Series 2002C (Federally Taxable).
Maturities and Rates	See inside cover.
Denominations.....	\$5,000 and integral multiples of \$5,000.
Interest Payment Dates	May 15 and November 15, commencing May 15, 2006.
Redemption.....	The Series 2005H Bonds are not subject to redemption prior to maturity.
Sources of Payment and Security	MTA’s pledged transportation revenues from Transit and Commuter System operations, TBTA operating surplus, subsidies from governmental entities and certain other sources, all as described in Part II.
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee	JPMorgan Chase Bank, N.A., New York, New York.
Bond Counsel	Hawkins Delafield & Wood LLP, New York, New York.
Tax Status	See “TAX MATTERS” in Part III.
Expected Ratings	<u>Rating Agency</u> Moody’s: A2 Standard & Poor’s: A Fitch: A See “RATINGS” in Part III.
Financial Advisor	Goldman, Sachs & Co.
Verification Agent	Samuel Klein and Company.
Underwriters	See cover page. J.P. Morgan Securities Inc. is the representative of the Underwriters for the Series 2005H Bonds.
Underwriters’ Discount	See “UNDERWRITING” in Part III.
Counsel to the Underwriters	Winston & Strawn LLP, New York, New York.

-
- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2005H Bonds in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or any other person to give any information or make any representation in connection with the offering of the Series 2005H Bonds, except as set forth in this official statement. No other information or representations should be relied upon.
 - ***No Contract or Investment Advice.*** This official statement is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this official statement and the Series 2005H Bonds being offered, or anything else related to this bond issue.
 - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
 - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of the MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.
 - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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Information Included by Specific Cross-reference. The following portions of MTA’s 2005 Combined Continuing Disclosure Filings, dated April 29, 2005, and filed with the repositories identified in the “INTRODUCTION” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2005H Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2004 and 2003
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2004 and 2003

The following documents have also been filed with the repositories identified in the “INTRODUCTION” and are included by specific cross-reference in this official statement:

- Summary of Certain Provisions of the Transportation Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- Form of the Interagency Agreement

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INTRODUCTION

MTA, TBTA and Other Related Entities

The Metropolitan Transportation Authority (MTA) was created by special New York State legislation in 1965, as a public benefit corporation, which means that it is a corporate entity separate and apart from the State, without any power of taxation – frequently called a “public authority.” MTA is governed by board members appointed by the Governor, with the advice and consent of the State Senate.

MTA has responsibility for developing and implementing a single, integrated mass transportation policy for New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out some of those responsibilities by operating the Transit and Commuter Systems through its subsidiary and affiliate entities: the New York City Transit Authority (the Transit Authority) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); The Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company (MTA Bus); and MTA Capital Construction Company (MTA Capital Construction). MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA. It is expected that, at some time after the delivery of the Series 2005H Bonds, MTA Bus will pledge its operating revenues to the Trustee under the Transportation Resolution (as hereinafter defined) and become a signatory to the Interagency Agreement securing the Bonds and that, thereafter, all or a portion of MTA Bus’ capital needs may be financed from the proceeds of the Bonds (other than the Series 2005H Bonds).

Another affiliate of MTA, Triborough Bridge and Tunnel Authority, or TBTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. TBTA issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. TBTA’s surplus amounts are used to fund certain transit and commuter operations and capital projects.

The board members of MTA serve as the board members of the MTA’s affiliates and subsidiaries.

MTA, TBTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2005 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this official statement.

Capitalized terms used herein and not otherwise defined have the meanings provided by **Appendix A**.

Where to Find Information

Information in this Official Statement. This official statement is organized as follows:

- **Part I** provides specific information about the Series 2005H Bonds.
- **Part II** describes the sources of payment and security for all Bonds, including the Series 2005H Bonds.
- **Part III** provides miscellaneous information relating to the Series 2005H Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2005H Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2005H Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2005H Bonds.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

Information from Repositories. MTA files annual and other information with each Nationally Recognized Municipal Securities Information Repository (NRMSIRs). Documents filed by MTA should be available from those repositories designated as such at the time of the filing. The repositories may charge a fee for access to those documents. The current repositories are as follows:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: munis@bloomberg.com

FT Interactive Data

Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
Email: NRMSIR@interactivedata.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpccdata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

Information Included by Specific Cross-reference. The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this official statement. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes the specified portions of those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2005H Bonds.**

Information Available at No Cost. Information filed with the repositories is also available, at no cost, on MTA's website or by contacting MTA, Attn.: Finance Department, at the address on page (i). For important information about MTA's website, see "FURTHER INFORMATION" in Part III.

Recent Developments

MTA Financial Plan Information Updated. MTA, on behalf of the Related Entities, recently released its updated financial plan, dated November 16, 2005, for the years 2006-2009 (the 2006-2009 Financial Plan) that includes a proposed budget for 2006 (the Proposed 2006 Budget) and a financial plan for the years 2007-2009. The 2006-2009 Financial Plan updates the information set forth in the July 2005 mid-year forecast (the 2005 Mid-Year Forecast). Copies of the 2006-2009 Financial Plan will be posted on MTA's website (www.mta.info).

Projected Surpluses and Deficits for 2006 through 2009. MTA projects, in the 2006-2009 Financial Plan, the following, after taking into consideration the application of TBTA's operating surplus to mass transit:

- The Related Entities will have a cash balance at the end of 2005 before gap closing and other actions of \$1,044 million, which is a net increase of \$968 million above the \$76 million cash surplus forecast in February 2005, including an additional \$211 million over the cash balance projected in the 2005 Mid-Year Forecast. The substantial additional surplus since February is primarily attributable to (1) greater than expected mortgage recording tax and urban tax collections (an additional \$547 million since February 2005, including an additional \$182 million since the 2005 Mid-Year Forecast), (2) additional revenues provided by the State's enactment since February of an increase in the regional sales tax, mortgage recording taxes and certain Department of Motor Vehicle fees effective during 2005 (\$181 million) and (3) lower debt service costs (\$170 million lower since February, including \$42 million lower since the 2005 Mid-Year Forecast).

- The Proposed 2006 Budget projects a cash balance before gap closing and other actions of \$618 million (an increase of \$1,355 million over the deficit of \$737 million forecast in February 2005, including an additional \$157 million from the 2005 Mid-Year Forecast). The substantial additional moneys are primarily attributable to (1) the full year's increase in the additional regional sales tax, mortgage recording taxes and certain Department of Motor Vehicle fees effective during 2005, (2) a re-estimate of the projected decline in certain real estate tax forecasts, and (3) the State's appropriation in 2006 of 2005 tax receipts.
- With respect to the years 2006 through 2009, MTA has also updated its estimate of other revenues and expenses and made provision for, among other things, higher energy and insurance costs, as well as security funding increases. Debt service has been increased by approximately \$107 million during the four-year period to reflect an expected increase in the pace of spending associated with the newly approved 2005-2009 Capital Program and the remainder of the 2000-2004 Capital Program.
- MTA is projecting cash deficits before gap closing and other actions in 2007, 2008 and 2009 of \$49 million (an improvement of \$145 million from the 2005 Mid-Year Forecast), \$1.1 billion (increasing the deficit by \$34 million from the 2005 Mid-Year Forecast) and \$1.5 billion (increasing the deficit by \$63 million from the 2005 Mid-Year Forecast), respectively. However, if the fare and toll yields are increased by 5% in both 2007 and 2009 as projected in the 2006-2009 Financial Plan, and the gap closing measures and policy actions are implemented as proposed or recommended in connection with the 2006-2009 Financial Plan, MTA projects that the Related Entities will have annual cash deficits in 2007, 2008 and 2009 of \$152 million, \$797 million and \$934 million, respectively.

Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions, additional health and welfare benefit costs and the loss of non-recurring subsidies, notably lower future yields from real estate related taxes, and cash adjustments.

MTA may update all or any portion of the Proposed 2006 Budget and the associated 2006-2009 Financial Plan until the final adoption of the 2006 budget by the MTA Board, currently expected in December 2005. MTA may be forced to institute additional cost reductions or take other actions to close projected future budget gaps, which could include seeking additional subsidies and/or raising fares and tolls. The four-year financial plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

Recommendations for Use of Non-recurring Portion of the 2005 Cash Surplus. In the 2005 Mid-Year Forecast, MTA estimated that approximately \$481 million of the expected 2005 cash surplus would be generated from factors that would be non-recurring in future years, primarily the region's real estate boom and low interest rates. On October 18, 2005, MTA issued a memo estimating that the non-recurring surplus could reach approximately \$700 million by the end of 2005. The 2006-2009 Financial Plan estimates that the non-recurring surplus will be approximately \$705 million. In her letter accompanying the 2006-2009 Financial Plan, the MTA Executive Director included for MTA Board consideration the recommendations set forth in the October 18 memo on how to apply the non-recurring surplus.

In accordance with one of the recommendations, the MTA Board endorsed at its October 2005 meeting the implementation of certain transit and commuter promotional initiatives outlined in the memo, estimated at approximately \$50 million, for the upcoming 2005 holiday season (generally, Thanksgiving through New Year's Day), generally consisting of half price local transit fares for weekends and during the last week of December, the addition of "bonus days" on certain unlimited MetroCard transit passes, and free off-peak tickets for purchasers of monthly and weekly LIRR and MNCRC passes.

Four additional recommendations for use of the estimated remaining non-recurring moneys are briefly summarized as follows:

- set aside an additional \$50 million for another possible promotional fare initiative in 2006,
- transfer approximately \$450 million to pay down a portion of the approximately \$2.2 billion of unfunded accrued pension liabilities in various agency pension plans, which would generate recurring annual operating savings of approximately \$42 million,
- allocate approximately \$100 million to the security portion of the approved capital programs to be available to fund on-going capital security projects, and
- re-invest approximately \$50 million for service enhancements, including intensive cleaning of the transit and commuter systems; increased commuter service; additional K-9 teams and MTA police patrol presence; and delaying the implementation of revised bus service guidelines.

After the issuance of the October 18 memo, Governor George Pataki indicated that he thought the MTA Board should consider setting aside portions of the non-recurring surplus for additional security projects and projects for downtown Manhattan. Other City and State officials, as well as members of the public, have announced, and are expected to continue to present, alternative ideas relating to how the MTA Board should apply the non-recurring surplus.

The MTA Board could, in its discretion, decide to

- implement all or any portion of the four additional recommendations set forth in the MTA memo and the Executive Director's letter accompanying the 2006-2009 Financial Plan as summarized above,
- implement all or any portion of the alternatives proposed by the Governor or other City or State officials or members of the public, or
- choose to apply the moneys in some other manner.

It is not expected that any final choices will be made by the MTA Board prior to its December 2005 meeting when it is expected to adopt the final 2006 budget. The application of the 2005 non-recurring surplus could affect the calculation of the projections of the deficits and surpluses currently set forth in the 2006-2009 Financial Plan.

Review Board Approval of 2005-2009 Transit and Commuter Capital Programs. On July 13, 2005, the Review Board approved the 2005-2009 Transit and Commuter Capital Programs substantially in the form described in Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS – Proposed 2005-2009 Capital Program."

On November 8, 2005, the voters approved the issuance of New York State general obligation bonds, \$1.45 billion of the proceeds of which is one of the expected funding sources for the 2005-2009 Transit and Commuter Capital Programs.

Property Insurance Renewal Effective October 31, 2005. On October 31, 2005, MTA's captive insurance company, First Mutual Transportation Assurance Company (FMTAC), renewed its property insurance policy with the following general terms:

- FMTAC directly insures property damage claims of the Related Entities in excess of a \$25 million per occurrence self-insurance retention, subject to an annual \$75 million aggregate. The total program limit has been maintained at \$1.25 billion per occurrence covering property of the Related Entities collectively.

- With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London and European marketplaces for this coverage.
- As a consequence of this year's severe contraction in available market capacity at reasonable premium levels, FMTAC has not fully reinsured all tiers of the program limit. The following chart shows the portions of the tiers of the program limit that have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared on a pro rata basis.

Incremental Insurance Loss (in millions)	Amount Reinsured (in millions)	Amount Retained by FMTAC (in millions)
\$ 0 – 25	\$ 0.0	\$ 25.0
25 – 125	100.0	0.0
125 – 175	36.8	13.2
175 – 400	164.0	61.0
400 – 700	224.2	75.8
700 – 1,000	80.5	219.5
<u>1,000 – 1,250</u>	<u>250.0</u>	<u>0.0</u>
Total	\$855.5	\$394.5

- The property insurance, which is subject to annual renewal on October 31, 2006, provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages.
- With respect to acts of international terrorism covered by the Terrorism Risk Insurance Act of 2002 ("TRIA"), FMTAC is reinsured by the United States for 90% of losses, subject to an annual cap on all losses payable under TRIA of \$100 billion. The remaining 10% of MTA losses would be covered under an additional policy described in the next paragraph. TRIA coverage is provided through December 31, 2005. Congress is currently working on an extension, though there may be some changes in the provisions of TRIA that may require changes in the additional policy referred to in the next paragraph.
- With respect to acts of terrorism not covered by TRIA, MTA obtained an additional commercial reinsurance policy that provides coverage against all acts of terrorism in an amount of up to \$125 million per occurrence (subject to the \$25 million per occurrence self-insurance retention). In the event the occurrence is covered by TRIA, the coverage afforded by the additional policy provides for the payment of FMTAC's 10% retention not covered by TRIA subject to a maximum recovery of \$97.5 million.

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PART I. SERIES 2005H BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2005H Bonds.

PLAN OF FINANCE AND APPLICATION OF PROCEEDS

Series 2005H Bonds

The Series 2005H Bonds are being issued to refund the principal portion of MTA's Transportation Revenue Variable Rate Refunding Bonds, Series 2002C (Federally Taxable) (the Refunded Bonds). The Subseries 2002C-1 Bonds are expected to be redeemed on December 29, 2005 and the Subseries 2002C-2 Bonds are expected to be redeemed on January 5, 2006, at a redemption price equal to the principal amount thereof.

The Series 2005H Bonds refunding is authorized by special Federal legislation enacted following the events of September 11, 2001 that authorized an additional refunding by MTA of certain outstanding bonds.

The proceeds of the Series 2005H Bonds (net of certain financing, legal and miscellaneous expenses of approximately \$2,413,380.25) will be used to acquire direct obligations of, or obligations guaranteed by, the United States of America (Government Securities), the principal of and interest on which, when due, will provide moneys sufficient to pay the principal of the Refunded Bonds on their respective redemption dates. MTA will provide for the payment of interest on the Refunded Bonds on or prior to the redemption date.

The Government Securities will be deposited with the Trustee upon the issuance and delivery of the Series 2005H Bonds and will be held in trust for the payment of the redemption price of the Refunded Bonds.

Other Bonds Expected to Close Simultaneously

In addition to the Series 2005H Bonds, MTA expects to issue its fixed rate Series 2005F Transportation Revenue Bonds in the aggregate principal amount of \$468,760,000 and its Series 2005G Transportation Revenue Variable Rate Bonds in the aggregate principal amount of \$250 million on a parity with all Bonds, including the Series 2005H Bonds, on or about the same day, currently scheduled for December 7, 2005. The Series 2005F and Series 2005G Bonds are being issued to pay the principal portion of MTA's \$720 million Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced. MTA will pay interest on the commercial paper from available resources. The MTA Act requires MTA to periodically refund its commercial paper notes with bonds.

MTA currently anticipates that in January 2006 it will again issue commercial paper in the amount of up to approximately \$450 million to finance certain transit and commuter projects. MTA expects that the Series 2005G Bonds will be issued as daily variable rate demand securities. Delivery of the Series 2005F, 2005G and 2005H Bonds are not conditioned upon one another, and any series may be cancelled or postponed at any time without affecting the delivery of the other series.

DESCRIPTION OF SERIES 2005H BONDS

General

Book-Entry-Only System. The Series 2005H Bonds will be issued as registered bonds, registered in the name of The Depository Trust Company or its nominee (together, DTC), New York, New York, which will act as securities depository for the Series 2005H Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2005H Bonds, all payments on the Series 2005H Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1**—“Book-Entry-Only System.”

Interest Payments. The Series 2005H Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this official statement. Interest will be paid on each May 15 and November 15, beginning May 15, 2006. So long as DTC is the sole registered owner of all of the Series 2005H Bonds, all interest payments will be paid to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

Transfers and Exchanges. So long as DTC is the securities depository for the Series 2005H Bonds, it will be the sole registered owner of the Series 2005H Bonds, and transfers of ownership interests in the Series 2005H Bonds will occur through the DTC Book-Entry-Only System.

Trustee and Paying Agent. JPMorgan Chase Bank, N.A. is Trustee and Paying Agent with respect to the Transportation Revenue Bonds.

No Redemption Prior to Maturity

The Series 2005H Bonds are not subject to redemption prior to maturity.

Debt Service on the Bonds

Table 1 on the following page sets forth, on a cash basis, (1) estimated debt service on the outstanding Bonds, net of debt service on the Refunded Bonds, (2) debt service on the Series 2005H Bonds, (3) debt service on the Series 2005F Bonds, (4) estimated debt service on the Series 2005G Bonds, and (4) estimated debt service, on an aggregate basis, on all Bonds after the issuance of the Series 2005F, 2005G and 2005H Bonds.

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Table 1
Aggregate Debt Service
(in thousands)⁽¹⁾

Year Ending November 15	<u>Series 2005H Bonds</u>				Series 2005F ⁽³⁾	Series 2005G ⁽⁴⁾	Aggregate Debt Service ⁽⁵⁾
	Outstanding Bonds, Net of Refunded Bonds ⁽²⁾	Principal	Interest	Total			
2006	\$ 527,681	\$ 19,570	\$7,963	\$27,533	\$ 32,733	\$ 9,000	\$596,947
2007	527,139	21,655	7,649	29,304	34,863	10,000	601,306
2008	526,613	22,950	6,703	29,653	34,868	10,000	601,134
2009	526,073	24,535	5,590	30,125	34,868	10,000	601,066
2010	525,445	26,280	4,332	30,612	34,863	10,000	600,920
2011	524,719	28,220	2,979	31,199	34,863	10,000	600,781
2012	524,022	30,160	1,538	31,698	34,866	10,000	600,586
2013	557,076	0	0	0	34,866	10,000	601,942
2014	557,072	0	0	0	34,866	10,000	601,938
2015	557,075	0	0	0	34,867	10,000	601,942
2016	557,034	0	0	0	16,095	28,770	601,899
2017	556,452	0	0	0	16,095	28,769	601,317
2018	556,521	0	0	0	16,095	28,768	601,384
2019	556,617	0	0	0	16,095	28,771	601,484
2020	556,679	0	0	0	16,095	28,767	601,541
2021	556,791	0	0	0	16,095	28,769	601,654
2022	556,878	0	0	0	16,095	28,770	601,743
2023	565,573	0	0	0	16,095	28,770	610,439
2024	565,661	0	0	0	16,095	28,767	610,523
2025	565,784	0	0	0	16,095	28,770	610,648
2026	565,882	0	0	0	19,225	25,641	610,748
2027	565,983	0	0	0	44,864	0	610,846
2028	566,118	0	0	0	44,867	0	610,985
2029	566,250	0	0	0	44,864	0	611,114
2030	566,348	0	0	0	44,864	0	611,212
2031	566,483	0	0	0	44,865	0	611,348
2032	516,008	0	0	0	44,863	0	560,871
2033	162,013	0	0	0	44,864	0	206,877
2034	162,144	0	0	0	44,868	0	207,012
2035	<u>133,398</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,865</u>	<u>0</u>	<u>178,262</u>
Total	<u>\$15,317,531</u>	<u>\$173,370</u>	<u>\$ 36,753</u>	<u>\$210,123</u>	<u>\$930,482</u>	<u>\$412,333</u>	<u>\$16,870,469</u>

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes the following variable rates assumptions for debt service: Series 2002D, Series 2005D and Series 2005E Bonds at an assumed variable interest rate of 4% per annum and including net payments made by MTA under the swap agreements relating thereto; and Series 2002B Bonds, Series 2002G Bonds and Series 2004A Bonds at an assumed variable interest rate of 4% per annum.

⁽³⁾ Based upon a bond purchase agreement executed by MTA and Bear, Stearns & Co. Inc., as representative for the Underwriters, on November 16, 2005 relating to the Series 2005F Bonds.

⁽⁴⁾ Assumes the issuance of \$250 million aggregate principal amount of Series 2005G Bonds on December 7, 2005 as daily variable rate demand securities with an assumed variable interest rate of 4% per annum.

⁽⁵⁾ Includes the assumptions set forth in footnotes 1 through 4.

PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Part II of this official statement describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2005H Bonds.

SOURCES OF PAYMENT

Pledged Transportation Revenues

Under New York law, the Transportation Revenue Bonds are MTA's special obligations, which means that they are payable solely from the money pledged for payment under the "General Resolution Authorizing Transportation Revenue Obligations," adopted March 26, 2002 (referred to herein as the "Transportation Resolution"). They are not MTA's general obligations. Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Where to Find Information."

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, LIRR and MNCRC) and affiliates (currently, the Transit Authority and MaBSTOA), and its receipts from many of these sources are pledged for the payment of Transportation Revenue Bonds. The Transportation Resolution provides that bondholders are to be paid from pledged revenues prior to the payment of operating or other expenses, and as described in more detail below. MTA has covenanted to impose fares and other charges so that pledged revenues, together with other available moneys, will be sufficient to cover all debt service and operating and capital costs of the systems. See "FACTORS AFFECTING REVENUES – Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses" below.

Certain transit fares increased on February 27, 2005, certain commuter fares increased on March 1, 2005, and the crossing charges on TBTA's bridges and tunnels increased on March 13, 2005. See Part 3 of **Appendix A – "REVENUES OF THE RELATED ENTITIES – Fares and Tolls."**

Table 2 sets forth the following for the 5 years ended December 31, 2004 on a cash basis:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in Part 3 of **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
- the amount of debt service on the farebox bonds that were refunded by Transportation Revenue Bonds during MTA's debt restructuring in 2002 and the amount of debt service on the Bonds beginning in 2002, and
- the amount of transit and commuter operating expenses.

Table 2 is based on the historical audited financial statements of MTA and its subsidiaries, LIRR and MNCRC, and the Transit Authority and its subsidiary MaBSTOA. The audited financial statements for MTA and the Transit Authority for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. The information in **Table 2** may not be indicative of future results of operations and financial condition.

For the years 2000 through 2002, **Table 2** is a presentation that gives effect to the combined revenues of the Transit System and Commuter System as if the Transportation Resolution had been in place before the debt restructuring. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

Table 2
Summary of Pledged Revenues (Calculated in Accordance with the Transportation Resolution)
and Expenses
Historical Cash Basis (in millions)

	Years Ended December 31,				
	2000	2001	2002	2003	2004
Revenues from Systems Operations					
Fares from Transit System	\$2,116	\$2,141	\$2,156	\$2,420	\$2,567
Fares from Commuter System	688	698	689	772	819
Other Income ⁽¹⁾	121	138	157	109	245
Subtotal – Operating Revenues	2,925	2,977	3,002	3,301	3,631
Revenues from TBTA Surplus	360	311	251	395	377
TBTA – Refund of Excess Debt Service Payments	0	0	0	164	0
Revenues from Governmental Sources					
State and Local General Operating Subsidies	404	424	423	380	377
Special Tax-Supported Operating Subsidies					
DTF Excess ⁽²⁾	205	256	333	322	411
MMTOA Receipts	785	778	1,107	731	736
Urban Tax	180	216	171	177	344
Excess Mortgage Recording Taxes	0	0	0	228	163
Subtotal Special Tax-Supported Operating Subsidies	1,170	1,250	1,612	1,458	1,654
Station Maintenance and Service Reimbursements	270	278	291	307	311
Revenues from Investment of Capital Program Funds⁽³⁾	155	137	27	14	26
Subtotal – Non-Operating Revenues⁽⁴⁾	2,359	2,400	2,604	2,718	2,745
Total Transportation Resolution Pledged Revenues	\$5,284	\$5,377	\$5,606	\$6,019	\$6,376
Debt Service⁽⁵⁾	\$380	\$378	\$106	\$257	\$389
Transit Operating Expenses	\$3,521	\$3,589	\$3,843	\$4,161	\$4,198
Commuter Operating Expenses	1,346	1,347	1,426	1,512	1,609
Total Operating Expenses	\$4,867	\$4,936	\$5,269	\$5,673	\$5,807
Total Operating Expenses and Debt Service	\$5,247	\$5,314	\$5,375	\$5,930	\$6,196

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- (1) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.
- (2) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTF Receipts described in Part 4 of **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”
- (3) Represents investment income on Capital Program funds held by MTA for the benefit of the Transit and Commuter Capital Program on an accrual basis.
- (4) Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), Station Maintenance and Service Reimbursements, and Revenues from Investment of Capital Program Funds.
- (5) Actuals for the years 2000-2002 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year on the bonds defeased in connection with the debt restructuring before, and debt service on the Transportation Revenue Bonds after, the completion of the debt restructuring.

The following should be noted in Table 2:

- Revenues from Systems Operations – the level of fares increased on May 4, 2003 for the Transit System and May 1, 2003 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys.
- The level of TBTA Surplus available to the Transit and Commuter Systems declined in 2002 due primarily to the fact that certain TBTA bonds outstanding prior to the debt restructuring were secured in the first instance by certain mortgage recording tax revenues and then, to the extent of any deficiency, by TBTA net revenues. The bonds secured by the mortgage recording taxes were defeased in full and replaced by bonds secured by TBTA net revenues. The mortgage recording taxes that are no longer pledged under the bond resolutions are paid to MTA for headquarters purposes, including transit and commuter purposes. Beginning in 2003, TBTA Surplus increased based upon the toll increases that became effective on May 18, 2003.
- TBTA – Refund of Excess Debt Service Payments – for 2003, approximately \$164 million in non-recurring excess debt service payments resulting from the debt restructuring that were on deposit with the TBTA bond trustees were applied for the benefit of the Transit and Commuter System.
- The increased amount of MMTOA Receipts in 2002 reflects the advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$230 million). Beginning in 2003, MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts similarly advanced. MTA will monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary.
- The "Urban Tax" collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds in 2004 reflect the very high level of real estate sale and refinancing activity during the year.
- As noted in the third bullet point above, beginning in 2003, mortgage recording taxes (\$228 million in 2003 and \$163 million in 2004), including those no longer needed to pay debt service on the defeased TBTA mortgage recording tax bonds, were available for Transit and Commuter System purposes after the payment of MTA headquarters expenses.
- Revenues from Investment of Capital Program Funds – substantially all of the investment income is generated from bond proceeds, such as reserve funds and funds held in anticipation of expenditure on project costs. Since substantially all of the debt service reserve funds were eliminated in the debt restructuring, "Revenues from Investment of Capital Program Funds" declined sharply in 2002 (reflecting a partial year when the reserve funds remained in place) and declined further beginning in 2003.

The following **Table 3** sets forth forecasted information for 2005 comparable to that set forth in **Table 2** with respect to the years 2000-2004.

Table 3
Summary of Forecasted 2005 Pledged Revenues
(Calculated in Accordance with the Transportation Resolution) and Expenses
on a Cash Basis (in millions)

	2005 Forecast ⁽¹⁾
Revenues from Systems Operations	
Fares from Transit System	\$2,716
Fares from Commuter System	914
Other Income ⁽²⁾	167
Subtotal – Operating Revenues	3,797
Revenues from TBTA Surplus	516
TBTA – Refund of Excess Debt Service Payments	0
Revenues from Governmental Sources	
State and Local General Operating Subsidies	415
Special Tax-Supported Operating Subsidies	
DTF Excess ⁽³⁾	353
MMTOA Receipts	947
Urban Tax	520
Excess Mortgage Recording Taxes	451
Subtotal Special Tax-Supported Operating Subsidies	2,271
Station Maintenance and Service Reimbursements	348
Revenues from Investment of Capital Program Funds	6
Subtotal – Non-Operating Revenues⁽⁴⁾	3,556
Total Transportation Resolution Pledged Revenues	\$7,353
Budgeted Debt Service⁽⁵⁾	\$403
Transit Operating Expenses	\$4,621
Commuter Operating Expenses	1,740
Total Operating Expenses	\$6,361
Total Operating Expenses and Debt Service	\$6,764

⁽¹⁾ Based on the updated 2006-2009 Financial Plan presented to the MTA Board on November 16, 2005.

⁽²⁾ Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.

⁽³⁾ Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTTF Receipts described in Part 4 of **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”

⁽⁴⁾ Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), and Station Maintenance and Service Reimbursements.

⁽⁵⁾ 2005 forecasted debt service includes the following assumption for the remainder of the year: tax-exempt variable rate debt service at 3%.

Description of Pledged Revenues

Each of the following revenues is described in more detail in Part 3 of **Appendix A** under the caption “REVENUES OF THE RELATED ENTITIES.”

Revenues from Systems Operations.

- **Fares from the Transit and Commuter Systems** – For *transit*, while the basic local fare (excluding express bus service) was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average local fare (excluding express bus service) to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average was \$1.27 in 2004); and for *commuter*, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including 30-day MetroCards), and for senior citizens and the handicapped.

On February 27, 2005, the Transit Authority increased the cost of a 30-day unlimited ride MetroCard from \$70 to \$76, the cost of a 7-day unlimited ride MetroCard from \$21 to \$24, and express bus fares from \$4 to \$5 without increasing the \$2.00 base fare.

On March 1, 2005, the average fare increased by 7.6% on LIRR and by 6.2% on MNCRC for service between points in New York State, which resulted in an approximately 5% increase in commuter fare revenues. Connecticut fares on MNCRC increased an average of 5.5% as of January 1, 2005.

- **Other Income** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MNCRC) and Pennsylvania Station (the main station for LIRR), however, are not included within these amounts pledged.

Revenues from TBTA Surplus. TBTA is required by law to transfer its annual operating surpluses (generally, tolls and other operating revenues from bridges and tunnels after payment of operating expenses and debt service costs) to MTA, and a statutory formula determines how MTA allocates that money between the Transit and Commuter Systems. The crossing charges on TBTA’s bridges and tunnels increased on March 13, 2005.

Revenues from Governmental Sources.

- General operating subsidies from the State and local governments – Under the State’s Section 18-b program, MTA receives –
 - o subsidies for transit from the State and matching subsidies from New York City, and
 - o subsidies for commuter from the State and matching subsidies from New York City and the seven counties in the MTA district.
- **Special tax-supported operating subsidies** – MTA receives subsidies from a number of sources including –
 - o portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
 - a group of business privilege taxes imposed on petroleum businesses operating in the State, referred to as the PBT,
 - motor fuel taxes on gasoline and diesel fuel, and

- certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees; and
- o portions of the following mass transportation operating assistance or MMTOA taxes, which state law requires first be used to pay debt service on MTA's Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—
 - the regional PBT (in addition to the state-wide portion described above), which is referred to as the MMTOA PBT,
 - the sales and compensating use tax within the MTA transportation district,
 - two franchise taxes imposed on certain transportation and transmission companies, and
 - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
- o a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.

As part of the State's enacted 2005-06 Budget, the State enacted legislation that provides the Related Entities with the following three major additional revenue sources:

- Additional 1/8th of one percent regional sales tax throughout the Transportation District effective June 1, 2005 that is expected to generate approximately \$110 million in 2005, approximately \$202 million in 2006 and approximately \$230 million annually thereafter.
- Increase in the MRT-1 Tax effective June 1, 2005 from 25 cents per \$100 of recorded mortgage to 30 cents per \$100 of recorded mortgage that is expected to generate approximately \$29 million in 2005 and approximately \$50 million annually thereafter.
- MTA's 34% portion of an increase in certain motor vehicle fees effective January 1, 2006 that is expected to generate for MTA approximately \$61 million annually each year.

The regional sales tax and the motor vehicle fees are pledged first to the payment of MTA's Dedicated Tax Fund Bonds.

- ***Station maintenance and service reimbursements*** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support the Transit Authority's paratransit, senior-citizen and school children programs. Also, MNCRC receives certain payments from the Connecticut Department of Transportation (CDOT) for its share of the operating deficits of the New Haven rail line.

Revenues from Investment Income and Miscellaneous. MTA earns income, as do its subsidiaries and affiliates, from the temporary investment of money held in those of MTA's various funds and accounts that are pledged to holders of Transportation Revenue Obligations.

Factors Affecting Revenues

Ridership. The level of fare revenues depends to a large extent on MTA's ability to maintain and/or increase ridership levels on the Transit and Commuter Systems. Those ridership levels are affected by safety and the quality and efficiency of systems operations, as well as by financial and economic conditions in the New York metropolitan area.

Fare Policy. MTA determines the rate or rates of fares charged to users of the Commuter System, and the Transit Authority and MaBSTOA, together with MTA, do the same for the Transit System. After adopting operating expense budgets and assessing the availability of governmental subsidies, each makes a determination of fares necessary to operate on a self-sustaining cash basis in compliance with State law and covenants in the Transportation Resolution. Considering the impact of increased fares on riders and on the regional economy, MTA's policy is to attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares. As a result, even though MTA does not generally need other governmental approvals before setting fares, the amount and timing of fare increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. MTA's obligation to obtain approval of fare increases on the New Haven line from CDOT can also affect the amount and timing of fare increases.

Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses. The Transit and Commuter Systems have depended, and are expected to continue to depend, upon government subsidies to meet capital and operating needs. Thus, even though MTA is legally obligated by the rate covenant to raise fares sufficiently to cover all capital and operating costs, there can be no assurance that there is any level at which Transit and Commuter Systems fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budgets prepared in connection with 2005 and the forecasts prepared in connection with 2006, 2007, 2008 and 2009) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

Operating Results and Projections. Based upon the updated 2006-2009 Financial Plan, the budgets of the Related Entities are expected to be substantially in balance through 2006, but there are expected to be substantial gaps thereafter. Either the Transit System or the Commuter System or both may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include raising fares.

2006-2009 Financial Plan. The 2006-2009 Financial Plan, the 2000-2004 Capital Program, the 2005-2009 Capital Program and future Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the 2006-2009 Financial Plan, the 2000-2004 Capital Program, the 2005-2009 Capital Program and future Capital Programs, as well as on pledged revenues. See Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS."

TBTA Operating Surplus. The amount of TBTA operating surplus to be used for the Transit and Commuter Systems is affected by a number of factors, including traffic volume, the timing and amount of toll increases, the operating and capital costs of TBTA Facilities, and the amount of debt service payable from its operating revenues, including debt service on obligations issued for the benefit of MTA's affiliates and subsidiaries and for TBTA's own capital needs.

Government Assistance. The level of government assistance to MTA may be affected by several different factors, such as:

- Subsidy payments by the State may be made only if and to the extent that appropriations have been made by the Legislature, and money is available to fund those appropriations.
- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made.

- The State is not bound or obligated to continue to pay operating subsidies to the Transit or Commuter Systems or to continue to impose any of the taxes currently funding those subsidies.
- The financial condition of the States of New York and Connecticut, and the City and counties in MTA's district, could affect the ability or willingness of the States and local governments to continue to provide general operating subsidies, the City and local governments to continue to provide reimbursements and station maintenance payments, and the State to continue to make special appropriations.
- Successful court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA could adversely affect the amount of pledged revenues generated by such State taxes.

Information Relating to the State of New York. Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is not a part of this official statement. Such information is on file with each Nationally Recognized Municipal Securities Information Repository with which the State was required to file, and the State has committed to update that information to the holders of its general obligation bonds, in the manner specified in SEC Rule 15c2-12. Prospective purchasers of the Transportation Revenue Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of the Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

SECURITY

General

The Transportation Revenue Bonds, including the Series 2005H Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution.

- The payment of principal (including sinking fund installments, if any), redemption premium, if any, and interest on Transportation Revenue Bonds is secured by, among other sources described below, the *transportation revenues* discussed in the preceding section "SOURCES OF PAYMENT," which are, together with certain other revenues, referred to as "pledged revenues."
- Holders of Transportation Revenue Bonds are to be paid prior to the payment, from pledged revenues, of operating or other expenses of MTA, the Transit Authority, MaBSTOA, LIRR and MNCRC. However, MTA's ability to generate major portions of the pledged revenues depends upon its payment of operating and other expenses.
- Transportation Revenue Bonds are not a debt of the State or the City, or any other local governmental unit.
- MTA has no taxing power.

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Information from Repositories."

Pledge Effected by the Resolution

The Transportation Resolution provides that there are pledged to the payment of principal and redemption premium of, interest on, and sinking fund installments for, the Transportation Revenue Bonds and Parity Debt, in accordance with their terms and the provisions of the Transportation Resolution the following, referred to as the “trust estate”:

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of transit and commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and
- the Interagency Agreement dated as of April 9, 2002, among MTA, LIRR, MNCRC, the Transit Authority and MaBSTOA.

The Trustee may directly enforce an undertaking to operate the Transit System and the Commuter System to ensure compliance with the Transportation Resolution.

Under the Transportation Resolution, the operators of the Transit and Commuter Systems are obligated to transfer to the Trustee for deposit into the Revenue Fund virtually all pledged revenues as soon as practicable following receipt, or with respect to revenues in the form of cash and coin, immediately after being counted and verified. The pledge of money located in the State of Connecticut may not be effective until that money is deposited under the Transportation Resolution.

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

- Revenue Fund (held by the Trustee)
- Debt Service Fund (held by the Trustee), and
- Proceeds Fund (held by MTA).

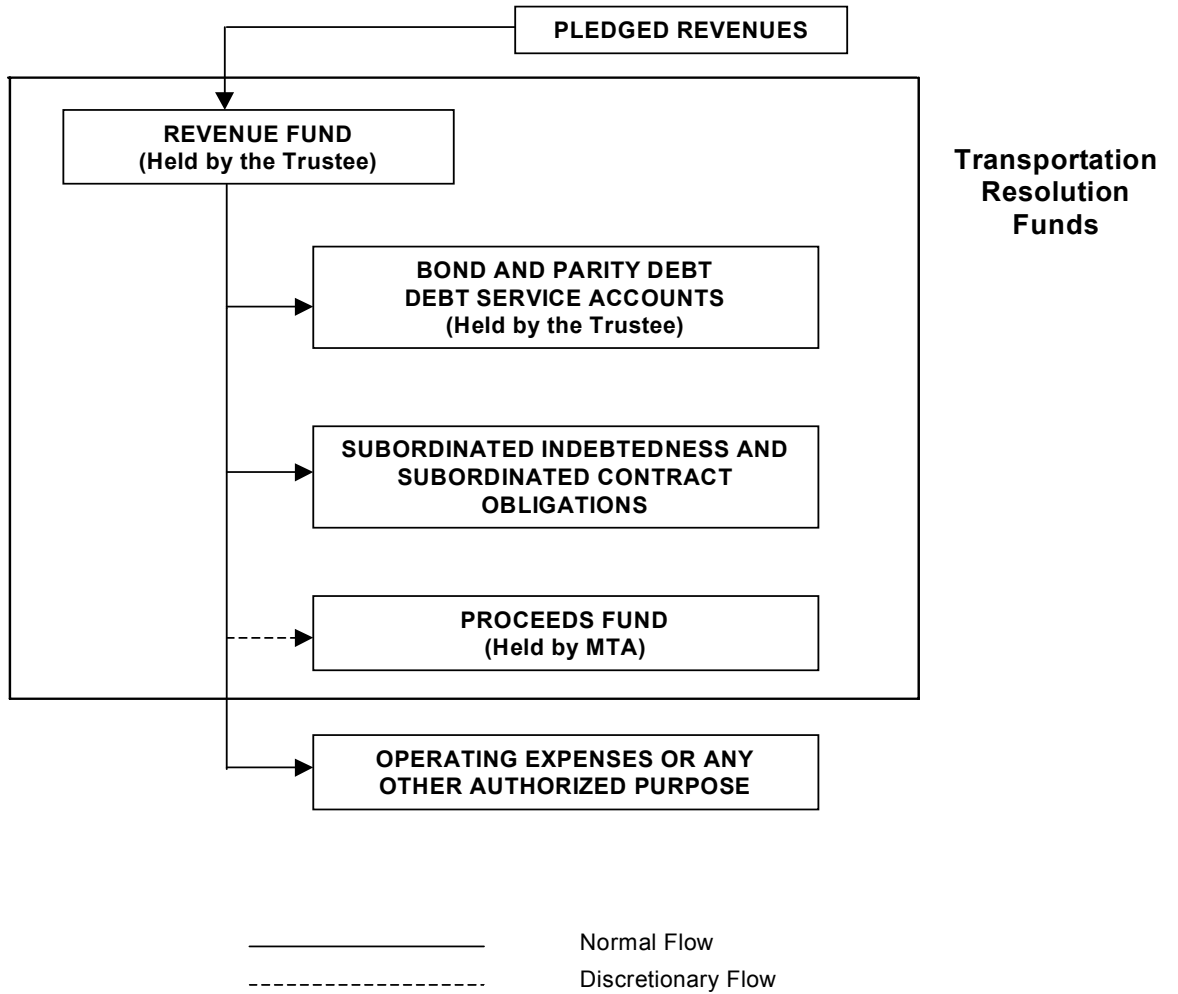
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

- to the debt service accounts, the net amount, if any, required to make the amount in the debt service accounts equal to the accrued debt service for Transportation Revenue Bonds and Parity Debt to the last day of the current calendar month;
- to pay, or accrue to pay, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation;
- to MTA for deposit in the Proceeds Fund, as directed by one of MTA’s authorized officers, to fund Capital Costs of the Transit and Commuter Systems; and
- to accounts held by MTA or any of the Related Transportation Entities for payment of operating expenses or any other authorized purpose.

All amounts paid out by MTA or the Trustee either for an authorized purpose (excluding transfers to any other pledged fund or account) or under the last bullet point above are free and clear of the lien and pledge created by the Transportation Resolution.

The following chart illustrates the basic elements of the flow of revenues described above:

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

Rate Covenants. MTA must fix the transit and commuter fares and other charges and fees to be sufficient, together with other money legally available or expected to be available, including from government subsidies –

- to pay the debt service on all the Transportation Revenue Bonds;
- to pay any Parity Debt;
- to pay any Subordinated Indebtedness and amounts due on any Subordinated Contract Obligations; and
- to pay, when due, all operating and maintenance expenses and other obligations of its transit and commuter affiliates and subsidiaries.

See “SOURCES OF PAYMENT - Factors Affecting Revenues” above.

Operating and Maintenance Covenants.

- MTA, MaBSTOA, Transit Authority, MNCRC and LIRR are required at all times to operate, or cause to be operated, the systems properly and in a sound and economical manner and maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition.
- Nothing in the Transportation Resolution prevents MTA from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the systems if, in MTA’s judgment it is advisable to do so, but only if the operation is not essential to the maintenance and continued operation of the rest of the systems and this arrangement does not materially interfere with MTA’s ability to comply with MTA’s rate covenants.

Additional Bonds. The Transportation Resolution permits MTA to issue additional Transportation Revenue Bonds and to issue or enter into Parity Debt, from time to time to pay or provide for the payment of qualifying costs, without meeting any specific debt-service-coverage level, as long as MTA certifies to meeting the rate covenant described above for the year in which the additional debt is being issued. Under the Transportation Resolution, MTA may only issue additional Transportation Revenue Bonds if those bonds are issued to fund projects pursuant to an approved Capital Program.

There is no covenant with bondholders limiting the aggregate principal amount of additional Transportation Revenue Bonds or Parity Debt that MTA may issue. There is a limit under current New York law that covers the Transportation Revenue Bonds and certain other securities. See Part 4 of **Appendix A** under the caption “GENERAL – Financing of Capital Projects and Statutory Ceiling” for a description of the current statutory cap.

Refunding Bonds. MTA may issue Transportation Revenue Bonds to refund all or any portion of the Transportation Revenue Bonds or Parity Debt. Transportation Revenue Bonds may also be issued to refund any pre-existing indebtedness of any Related Entity.

Non-Impairment. Under New York law, the State has pledged to MTA that it will not limit or change MTA’s powers or rights in such a way that would impair the fulfillment of MTA’s promises to holders of the Transportation Revenue Bonds.

No Bankruptcy. New York law specifically prohibits MTA or its Transit System affiliates or Commuter System subsidiaries from filing a bankruptcy petition under Chapter 9 of the U.S. Federal Bankruptcy Code. As long as any Transportation Revenue Bonds are outstanding, the State has covenanted not to change the law to permit MTA or its affiliates or subsidiaries to file such a petition.

PART III. OTHER INFORMATION ABOUT THE SERIES 2005H BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2005H Bonds.

TAX MATTERS

General

Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2005H Bonds. Their opinion under existing law, relying on certain representations by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2005H Bonds is:

- excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,
- not a preference item for a bondholder under the federal alternative minimum tax, and
- included in the adjusted current earnings of certain corporations under the federal corporate alternative minimum tax.

Their opinion is also that under existing law interest on the Series 2005H Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2005H Bonds are delivered.

The Internal Revenue Code imposes requirements on the Series 2005H Bonds that MTA must continue to meet after the Series 2005H Bonds are issued. These requirements generally involve the way that Series 2005H Bond proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2005H Bonds in its federal gross income on a retroactive basis to the date of issue. MTA has covenanted to do everything necessary to meet the requirements of the Internal Revenue Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2005H Bonds. This is possible if a bondholder is

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2005H Bonds.

Prospective investors, particularly those in any of these categories, should consult their tax advisors.

Bond Counsel is not responsible for updating its opinion in the future. Although not possible to predict, it is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2005H Bonds or affect the market price of the Series 2005H Bonds. For example, the Internal Revenue Code could be changed.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2005H Bonds or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2005H Bonds will have “original issue discount” if the price first paid by the bondholders for a substantial amount of the Series 2005H Bonds is less than the principal amount of these Series 2005H Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2005H Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2005H Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2005H Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondholder owns one of these Series 2005H Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2005H Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2005H Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Series 2005H Bond will be reduced. The holder of a Series 2005H Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2005H Bond with bond premium, even though the Series 2005H Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2005H Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Related Bonds

On the same date that the Series 2005H Bonds are issued, MTA expects to issue \$468,760,000 in aggregate principal amount of its Transportation Revenue Bonds, Series 2005F (the Series 2005F Bonds). For federal tax purposes, the Series 2005H Bonds and the Series 2005F Bonds will constitute a single issue of bonds. As a result, anything affecting the tax treatment of the Series 2005H Bonds for federal tax purposes either at the time of issuance or in the future would also affect the federal tax treatment of the Series 2005F Bonds and vice versa. Hawkins Delafield & Wood LLP is Bond Counsel solely for the Series 2005H Bonds and its opinion as to the federal tax treatment on the Series 2005H Bonds relates solely to the Series 2005H Bonds. Nixon Peabody LLP is Bond Counsel for the Series 2005F Bonds. To the extent that the exclusion of interest on the Series 2005H Bonds from a bondholder’s federal gross income under the Internal Revenue Code is dependent on the fact that interest on the Series 2005F Bonds is also excluded from a bondholder’s federal gross income, Hawkins Delafield & Wood LLP has relied on the opinion of Nixon Peabody LLP that interest on the Series 2005F Bonds is excluded from a bondholder’s federal gross income under the Internal Revenue Code.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Samuel Klein and Company, Certified Public Accountants (the Verification Agent). These computations, which were provided by J.P. Morgan Securities Inc., indicate (i) the sufficiency of the receipts from the Government Securities to pay at early redemption the principal of the Refunded Bonds, and (ii) the yields to be considered in determining that the Series 2005H Bonds are not “arbitrage bonds” under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by J.P. Morgan Securities Inc. on behalf of MTA and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2005H Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

- all public officers and bodies of the State and all municipalities and political subdivisions in the State,
- all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business,
- all administrators, guardians, executors, trustees and other fiduciaries, and
- all other persons whatsoever who are now or who may hereafter be authorized to invest in the obligations of the State.

Certain of those investors, however, may be subject to separate restrictions that limit or prevent their investment in the Series 2005H Bonds.

LITIGATION

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the Transit Authority, LIRR, MNCRC and TBTA. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in Part 5 of **Appendix A** under the caption "LITIGATION," as that filing may be amended or supplemented to date.

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2005H Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2005H Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor's fees for serving as financial advisor are contingent upon the issuance of the Series 2005H Bonds.

UNDERWRITING

The Underwriters for the Series 2005H Bonds, acting through J.P. Morgan Securities Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2005H Bonds described on the inside cover of this official statement at an aggregate purchase price of \$181,280,396.72, reflecting a net original issue premium of \$8,738,042.10 and an Underwriters' discount of \$827,645.38, and to reoffer such Series 2005H Bonds at the public offering prices or yields set forth on the inside cover.

The Series 2005H Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2005H Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations to purchase the Series 2005H Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2005H Bonds if any Series 2005H Bonds are purchased.

Delivery of the Series 2005H Bonds, the Series 2005F Bonds and the Series 2005G Bonds are not conditioned upon one another, and any series may be cancelled or postponed at any time without affecting the delivery of the other series.

Certain of the Underwriters or their affiliates engage in various investment banking and commercial banking services with MTA in the ordinary course of their business. JPMorgan Chase Bank, N.A., an affiliate of J.P Morgan Securities Inc., is the Trustee and a Paying Agent under the Transportation Resolution.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2005H Bonds. Those expected ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
One State Street Plaza	99 Church Street	55 Water Street
New York, New York 10004	New York, New York 10007	New York, New York 10041
(212) 908-0500	(212) 553-0300	(212) 438-2000

MTA has furnished to each rating agency rating the bonds being offered information, including information not included in this official statement, about MTA and the bonds. Generally, rating agencies base their ratings on that information and on independent investigations, studies and assumptions made by each rating agency. There can be no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances warrant the revision or withdrawal. Those circumstances may include, among other things, changes in or unavailability of information relating to MTA or the bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the bonds.

LEGAL MATTERS

All legal proceedings in connection with the issuance of the bonds being offered are subject to the approval of the nationally-recognized bond counsel firm identified on the cover page and in the Summary of Terms. The form of the opinion of Bond Counsel is **Attachment 3** to this official statement.

Certain legal matters regarding MTA, the Transit Authority, LIRR and MNCRC will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Underwriters as indicated in the Summary of Terms.

CONTINUING DISCLOSURE

As more fully stated in **Attachment 2**, MTA has agreed to provide certain financial information and operating data by no later than 120 days following the end of each fiscal year. That information is to include, among other things, information concerning MTA annual audited financial statements prepared in accordance with generally accepted accounting principles, or if unavailable, unaudited financial statements will be delivered until audited statements become available. MTA has undertaken to file such above information with each Nationally Recognized Municipal Securities Repository and a New York State Information Depository (the SID), if and when one is established.

MTA has further agreed to deliver notice to each Repository or the Municipal Securities Rulemaking Board and to the SID of any failure to provide the Annual Information. MTA is also obligated to deliver notices of the following events, if material, to each repository, or to the MSRB or the SID:

- principal and interest delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax exempt status of the security;

- modifications to the rights of security holders;
- bond calls;
- defeasance;
- release, substitution, or sale of property securing repayment of the securities; and
- rating changes.

MTA has also contracted with Digital Assurance Corporation (DAC), a dissemination agent recognized as such by the SEC to perform certain of the foregoing functions. In addition, as described in **Attachment 2**, MTA may file its information with the Texas Municipal Advisory Council provided at www.disclosureusa.org.

MTA has not failed to comply, in any material respect, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

FURTHER INFORMATION

MTA may place a copy of this official statement on its website at "www.mta.info." No statement on the MTA's website or any other website is included by specific reference herein.

Although MTA has prepared the information on its website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and MTA assumes no liability or responsibility for errors or omissions contained on any website. Further, MTA disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. MTA also assumes no liability or responsibility for any errors or omissions or for any updates to dated information contained on any website.

METROPOLITAN TRANSPORTATION AUTHORITY

By: _____ /s/ Patrick J. McCoy
Director of Finance

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2005H Bonds. The Series 2005H Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2005H Bond will be issued for each maturity of the Series 2005H Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the Series 2005H Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series 2005H Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005H Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005H Bond (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005H Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005H Bonds, except in the event that use of the book-entry system for the Series 2005H Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2005H Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005H Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005H Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005H Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2005H Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005H Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2005H Bond documents. For example, Beneficial Owners of the Series 2005H Bonds may wish to ascertain that the nominee holding the Series 2005H Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2005H Bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005H Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2005H Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and principal and interest payments on the Series 2005H Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2005H Bonds at any time by giving reasonable notice to MTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2005H Bonds are required to be printed and delivered.

10. MTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2005H Bonds will be printed and delivered

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT MTA BELIEVES TO BE RELIABLE, BUT MTA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

ATTACHMENT 2

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (Rule 15c2-12), MTA and the Trustee will enter into a written agreement (the Disclosure Agreement) for the benefit of holders of the Series 2005H Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the Related Transportation Entities (currently, MTA and its subsidiaries LIRR, MNCRC and MTA Bus, and the Transit Authority and its subsidiary MaBSTOA) by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2005 (the Annual Information), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with each Nationally Recognized Municipal Securities Information Repository (the NRMSIRs) and with the state information depository for the State, if and to the extent it shall have been established and shall be in existence and operating as a state information depository within the meaning of Rule 15c2-12 (the State Depository). Notices of material events will be filed by or on behalf of MTA with NRMSIRs or the Municipal Securities Rulemaking Board (the MSRB) and with the State Depository. The nature of the information to be provided in the Annual Information and the notices of material events is set forth below.

Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2005H Bonds to provide or cause to be provided, either directly or through the Trustee, audited consolidated financial statements of the Transit Authority and the audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2005, when and if such audited financial statements become available and, if such audited financial statements of either the Transit Authority or MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of the Transit Authority or MTA for such fiscal year. The Transit Authority's and MTA's annual financial statements will be filed by or on behalf of such parties by MTA with each NRMSIR and the State Depository. In the event that such audited financial statements of the Transit Authority cease to be separately published, the obligation of the MTA hereunder to provide such financial statements shall cease.

The required Annual Information shall consist of at least the following:

1. a description of the systems operated by the Related Transportation Entities and their operations,
2. a description of changes to the fares or fare structures charged to users of the systems operated by the Related Transportation Entities,
3. operating data of the Related Transportation Entities, including data of the type included in **Appendix A** under the following captions:
 - a. "TRANSIT SYSTEM,"
 - b. "RIDERSHIP AND FACILITIES USE – Transit System Ridership,"
 - c. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Transit System,"
 - d. "COMMUTER SYSTEM,"
 - e. "RIDERSHIP AND FACILITIES USE – Commuter System Ridership," and
 - f. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Commuter System,"
4. information regarding the Capital Programs of the Related Transportation Entities, including information of the type included in Appendix A under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS,"

5. a presentation of the financial results of the Related Transportation Entities prepared in accordance with GAAP for the most recent year for which that information is then currently available (currently, the Transit Authority prepares consolidated financial statements and MTA prepares combined financial statements),
6. a presentation of changes to indebtedness issued by MTA under the Transportation Resolution, as well as information concerning changes to MTA's debt service requirements on such indebtedness payable from pledged revenues,
7. information concerning the amounts, sources, material changes in and material factors affecting pledged revenues and debt service incurred under the Transportation Resolution,
8. financial information of the type included in this Official Statement in Table 2 under the caption "SOURCES OF PAYMENT—Pledged Transportation Revenues" and included in **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
9. material litigation related to any of the foregoing, and
10. such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the Related Entities.

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific cross-reference to any other documents which have been filed with (a) the NRMSIRs and the State Depository or (b) the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere. Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent feasible, such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to each NRMSIR or to the MSRB, and to the State Depository.

MTA will undertake, for the benefit of holders of the Series 2005H Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption "CONTINUING DISCLOSURE" in this Official Statement with respect to the Series 2005H Bonds, if material, and
2. to each NRMSIR or to the MSRB, and to the State Depository, in a timely manner, notice of a failure to provide any Annual Information required by such undertaking or any required audited financial statements of any of the Related Transportation Entities.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2005H Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2005H Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the

undertaking is an action to compel specific performance, and no person or entity, including any holder of Series 2005H Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2005H Bonds at the time Outstanding which are affected thereby. Each of the MTA and the Trustee reserve the right, but shall not be obligated, to enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the Transportation Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the Transportation Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data, and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2005H Bonds have been paid in full or legally defeased pursuant to the Transportation Resolution or the date the undertaking is no longer required by law. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

MTA may satisfy its obligations to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the MAC) as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC if and to the extent the agent has received a "no action" letter, which has not been revoked, from the SEC to the effect that enforcement action would not be recommended on account of using the agent, and not such NRMSIR or SID, as the source of information in determining compliance with the Rule.

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2005H Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Metropolitan Transportation Authority
347 Madison Avenue
New York, New York 10017

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$173,370,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Refunding Bonds, Series 2005H Bonds (collectively, the "Series 2005H Bonds").

All terms defined in the Resolution (hereinafter defined) and used herein shall have the meanings assigned in the Resolution, except where the context hereof requires otherwise.

The Series 2005H Bonds are issued under and pursuant to the Constitution and statutes of the State (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "General Resolution Authorizing Transportation Revenue Obligations," as supplemented by a resolution of said members adopted on July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the "Resolution").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005H Bonds in order that interest on the Series 2005H Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated the date hereof (the "Tax Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2005H Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2005H Bonds and the investment of certain funds. The Tax Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2005H Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2005H Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2005H Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2005H Bonds, (ii) compliance by the MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters, and (iii) the opinion of Nixon Peabody LLP as bond counsel relating to the MTA's \$468,760,000 aggregate principal amount of Transportation

Revenue Bonds, Series 2005F (the “Series 2005F Bonds”), dated the date hereof and compliance by the MTA with the procedures and covenants set forth in the tax certificate relating to such Series 2005F Bonds.

We have also examined one of said Series 2005H Bonds as executed and, in our opinion, the form of said Series 2005H Bond and its execution are regular and proper.

We are of the opinion that:

1. MTA is duly created and validly existing under the laws of the State, including the Constitution of the State and the Issuer Act.

2. MTA has the right and power under the Issuer Act to adopt the Resolution. The Resolution has been duly and lawfully adopted by MTA, is in full force and effect, is valid and binding upon MTA, and is enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. We express no opinion as to the effectiveness of the pledge of moneys located in the State of Connecticut until such moneys are deposited in the Revenue Fund.

3. The Series 2005H Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Issuer Act, and in accordance with the Resolution, and are valid and binding special obligations of MTA, enforceable in accordance with their terms and the terms of the Resolution, payable solely from the Trust Estate as provided in the Resolution, and are entitled to the benefits of the Issuer Act and the Resolution. MTA has no taxing power and the Series 2005H Bonds are not debts of the State or of any other political subdivision thereof. MTA reserves the right to issue additional Obligations and to incur Parity Debt on the terms and conditions, and for the purposes, provided in the Resolution, on a parity as to security and payment with the Series 2005H Bonds.

4. The MTA, the holders of the Series 2005H Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2005H Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are or may be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them to the extent that the legality of such investment is governed by the laws of the State; and which may be deposited with and shall be received by all public officers and bodies of the State and all municipalities and political subdivisions for any purpose for which the deposit of bonds or other obligations of the State is or may be authorized.

6. Under existing statutes and court decisions (i) interest on the Series 2005H Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2005H Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

7. Under existing statutes, interest on the Series 2005H Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

The opinions expressed in paragraphs 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2005H Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2005H Bonds or the Series 2005F Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2005H Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof that may hereafter occur, or for any reason whatsoever.

Very truly yours,

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