



**\$352,915,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A**

DATED: Date of Delivery

CUSIP<sup>(1)</sup> No. 59259NVZ3

DUE: November 1, 2031

The Series 2008A Bonds are being issued to refund certain outstanding Dedicated Tax Fund Bonds.

The Series 2008A Bonds –

- are MTA's special, not general, obligations, payable solely from the State taxes deposited into the Pledged Amounts Account of the Metropolitan Transportation Authority Dedicated Tax Fund as described herein, 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.

The Series 2008A Bonds will constitute Variable Interest Rate Obligations and will initially bear interest from their date of delivery in the Weekly Mode as herein described. The Series 2008A Bonds will bear interest from the date of delivery to and including July 2, 2008 at a rate determined by the Remarketing Agent as herein described. MTA reserves the right at any time to convert the Series 2008A Bonds to an Auction Rate Mode, Commercial Paper Mode, Daily Mode, Fixed Rate Mode or Term Rate Mode. **This official statement is intended to provide disclosure only to the extent the Series 2008A Bonds remain in the Weekly Mode.**

The Series 2008A Bonds are subject to redemption prior to maturity as described herein.

The Series 2008A Bonds are subject to mandatory or optional tender for purchase as more fully described herein. In order to provide for the payment of the purchase price in the event of a mandatory or optional tender, MTA has entered into a standby bond purchase agreement with Dexia Crédit Local, New York Branch, in connection with the Series 2008A Bonds (the Initial Liquidity Facility). The Initial Liquidity Facility is scheduled to expire on June 25, 2011, unless extended or earlier terminated (in certain cases without notice or without the obligation of the Liquidity Facility Issuer to purchase Series 2008A Bonds that have been tendered for purchase) in accordance with its terms as described in this official statement.



The scheduled payment of principal of and interest on the Series 2008A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2008A Bonds by Financial Security Assurance Inc.




---

**Price – 100%**

---

The Remarketing Agent may suspend remarketing of the Series 2008A Bonds without prior notice upon the occurrence of a default by the Insurer or upon the termination or suspension of the Liquidity Facility. The Initial Liquidity Facility does not provide security for the scheduled payment of principal of or interest or premium, if any, on the Series 2008A Bonds, and the funds drawn thereunder may not be used for such purposes. Payment of purchase price is not an obligation of MTA or the Insurer.

The Bank of New York is the Trustee, Paying Agent and Tender Agent for the Series 2008A Bonds.

*In the opinion of Nixon Peabody LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2008A 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 2008A 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 2008A 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 June 25, 2008.

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 2008A Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific reference, to obtain information essential to making an informed decision.

**Citi**

<sup>(1)</sup> Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. MTA, the Trustee and the Underwriter do not assume any responsibility for the accuracy of such numbers.

**SUMMARY OF TERMS RELATING TO WEEKLY MODE\***

INTEREST PAYMENT DATES AND CALCULATION PERIOD	The first Business Day of each month, commencing July 1, 2008, on actual days over a 365-day year (366 in years when February has 29 days)
RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date
OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date
NOTICE OF MODE CHANGE; MODE CHANGE DATE; REVOCABILITY	Trustee to mail notice to Owners not later than 20 days before the Mode Change Date, which can be any Business Day; MTA may rescind a conversion notice up to one Business Day before the Mode Change Date
MANDATORY TENDER FOR PURCHASE	On each Mode Change Date, Expiration Tender Date, Termination Tender Date and Substitution Date
RATE DETERMINATION DATE	Each Wednesday, unless such Wednesday is not a Business Day, in which case the rate shall be set on the Business Day next preceding such Wednesday
RATE ADJUSTMENT DATE	Thursday of each week
TENDER AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	The Bank of New York 101 Barclay Street 7-W New York, New York 10286 Attention: Frederic Belen  Phone: (212) 815-2588 Fax: (212) 815-5595
REMARKETING AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	Citigroup Global Markets Inc. 390 Greenwich Street, 5 <sup>th</sup> Floor New York, NY 10013 Attn: Short Term Tax-Exempt Trading

***The Underwriter may effect transactions that stabilize or maintain the market price of the Series 2008A Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.***

\* So long as the Series 2008A Bonds are registered in the name of Cede & Co., as Bondholder and Securities Depository Nominee of DTC, mechanics for tender and redemption will be in accordance with procedures established by DTC.

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

H. Dale Hemmerdinger .....	Chairman
David S. Mack .....	Vice-Chairman
Andrew M. Saul .....	Vice-Chairman
Andrew B. Albert .....	Non-Voting Member
John H. Banks III .....	Member
James F. Blair .....	Non-Voting Member
Norman E. Brown .....	Non-Voting Member
Donald Cecil .....	Member
Doreen M. Frasca .....	Member
Jeffrey A. Kay .....	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
Norman I. Seabrook .....	Member
James L. Sedore, Jr. ....	Member
Nancy Shevell .....	Member
Vincent Tessitore, Jr. ....	Non-Voting Member
Ed Watt .....	Non-Voting Member
Carl V. Wortendyke .....	Member

-----

Elliot G. Sander .....	Executive Director and Chief Executive Officer
Gary Dellaverson .....	Chief Financial Officer
Gary M. Lanigan .....	Director, Budgets and Financial Management
James B. Henly, Esq. ....	General Counsel

-----

NIXON PEABODY 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 2008A 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 MTA's Dedicated Tax Fund 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 .....	Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A.
Purpose of Issue.....	To refund certain outstanding Dedicated Tax Fund Bonds.
Maturity and Rates .....	The Series 2008A Bonds are Variable Interest Rate Obligations that initially bear interest in the Weekly Mode as herein described and that mature on November 1, 2031.
Denominations in Weekly Mode .....	\$100,000 or any integral multiple of \$5,000 in excess thereof.
Interest Payment Dates in Weekly Mode .....	The first Business Day of each month, commencing July 1, 2008.
Redemption .....	See "DESCRIPTION OF SERIES 2008A BONDS – Redemption Provisions During The Weekly Mode" in Part I for redemption information.
Tender.....	See "DESCRIPTION OF SERIES 2008A BONDS – Tender, Presentation and Purchase Provisions of the Series 2008A Bonds During the Weekly Mode" in Part I for tender provisions.
Sources of Payment and Security .....	MTA's pledged State taxes.
Initial Liquidity Facility.....	Standby Bond Purchase Agreement with Dexia Crédit Local, New York Branch that expires on June 25, 2011, unless extended or earlier terminated as described herein. See "DESCRIPTION OF SERIES 2008A BONDS – Liquidity Facility" in Part I.
Credit Enhancement .....	Municipal bond insurance policy from Financial Security Assurance Inc.
Registration of the Bonds .....	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee, Paying Agent and Tender Agent.....	The Bank of New York, New York, New York.
Bond Counsel .....	Nixon Peabody LLP, New York, New York.
Tax Status .....	See "TAX MATTERS" in Part III.
Expected Ratings .....	<u>Rating Agency</u> (insured/underlying/short term) Standard & Poor's: AAA/AA/A-1+ Fitch: AAA/A+/F1+ See "RATINGS" in Part III.
Financial Advisor .....	Goldman, Sachs & Co.
Underwriter/Remarketing Agent .....	See cover page and "Summary of Terms Relating to Weekly Mode." Citigroup Global Markets Inc. is the Underwriter and Remarketing Agent for the Series 2008A Bonds.
Purchase Price/Underwriter's Discount.....	See "UNDERWRITING" in Part III.
Counsel to the Underwriter.....	Clifford Chance 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 2008A 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 2008A 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 2008A 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 accountants, 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, and assume no responsibility for, and disclaim any association with, the prospective financial information.
  - ***No Guarantee of Information by Underwriter.*** The Underwriter has provided the following sentence for inclusion in this official statement: The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.
  - ***Bond Insurer Information.*** Other than with respect to information concerning the Insurer contained under the caption "DESCRIPTION OF SERIES 2008A BONDS – Bond Insurance" and in Attachment 4 herein, none of the information in this official statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2008A Bonds, or
    - the tax-exempt status of the interest on the Series 2008A Bonds.

- ***Initial Liquidity Facility Issuer Information.*** Other than with respect to information concerning the Initial Liquidity Facility Issuer contained in Attachment 5 herein, none of the information in this official statement has been supplied or verified by the Initial Liquidity Facility Issuer and the Initial Liquidity Facility Issuer makes no representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2008A Bonds, or
    - the tax-exempt status of the interest on the Series 2008A Bonds.
  - ***SEC Rule 15c2-12.*** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Series 2008A Bonds to provide continuing disclosure during the period that such Series 2008A Bonds bear interest in the Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.
-

**TABLE OF CONTENTS**

	<u>Page</u>
<b>SUMMARY OF TERMS .....</b>	<b>iii</b>
<b>INTRODUCTION .....</b>	<b>1</b>
MTA, TBTA and Other Related Entities.....	1
Where to Find Information.....	2
Recent Developments Affecting MTA .....	3
The MTA Dedicated Tax Fund .....	4
<b>PART I. SERIES 2008A BONDS .....</b>	<b>5</b>
<b>FINANCING PLAN AND APPLICATION OF PROCEEDS.....</b>	<b>5</b>
Use of Proceeds.....	5
Interest Rate Swap.....	5
<b>DESCRIPTION OF SERIES 2008A BONDS .....</b>	<b>5</b>
General .....	5
Terms Relating to the Weekly Mode.....	7
Changes in Mode.....	7
Tender, Presentation and Purchase Provisions of the Series 2008A Bonds During the Weekly Mode.....	8
Remarketing of Series 2008A Bonds; Notices .....	10
Source of Funds for Purchase of Series 2008A Bonds.....	11
Delivery of Remarketed Series 2008A Bonds.....	11
Delivery and Payment for Purchased Series 2008A Bonds; Undelivered Series 2008A Bonds .....	11
Special Considerations Relating to the Series 2008A Bonds .....	12
Redemption Provisions During the Weekly Mode.....	13
Amendments .....	14
Liquidity Facility.....	14
Bond Insurance.....	17
Special Considerations Relating to Bond Insurance.....	18
Debt Service on the Dedicated Tax Fund Bonds.....	18
<b>PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS .....</b>	<b>20</b>
<b>SOURCES OF PAYMENT.....</b>	<b>20</b>
Revenues from Dedicated Taxes.....	20
Factors Affecting Revenues from Dedicated Taxes .....	23
<b>SECURITY .....</b>	<b>25</b>
Pledge Effected by the DTF Resolution .....	25
Flow of Funds.....	25
Debt Service Fund.....	28
Covenants .....	28
Parity Debt .....	29
Appropriation by the Legislature.....	29
Agreement of the State.....	29
<b>PART III. OTHER INFORMATION ABOUT THE SERIES 2008A BONDS.....</b>	<b>31</b>
<b>TAX MATTERS.....</b>	<b>31</b>
Information Reporting and Backup Withholding.....	32
Miscellaneous.....	32

<b>LEGALITY FOR INVESTMENT .....</b>	<b>32</b>
<b>LITIGATION .....</b>	<b>32</b>
<b>FINANCIAL ADVISOR .....</b>	<b>32</b>
<b>UNDERWRITING .....</b>	<b>33</b>
<b>RATINGS.....</b>	<b>33</b>
<b>LEGAL MATTERS .....</b>	<b>33</b>
<b>NO CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 .....</b>	<b>33</b>
<b>FURTHER INFORMATION .....</b>	<b>34</b>

- Attachment 1** – Book-Entry-Only System
- Attachment 2** – Definitions
- Attachment 3** – Form of Opinion of Bond Counsel
- Attachment 4** – Specimen Municipal Bond Insurance Policy
- Attachment 5** – Initial Liquidity Facility Issuer

***Information Included by Specific Cross-reference.*** The following portions of MTA’s 2008 Combined Continuing Disclosure Filings, dated April 29, 2008, 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 2008A 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, 2006 and 2007

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 DTF Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions

**THIS PAGE INTENTIONALLY LEFT BLANK**

## 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 MTA’s service region (the MTA Commuter Transportation District), which consists of 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 and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority; the Staten Island Rapid Transit Operating Authority; The Long Island Rail Road Company; the Metro-North Commuter Railroad Company; the Metropolitan Suburban Bus Authority (MTA Long Island Bus); the MTA Bus Company; and MTA Capital Construction Company. MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MTA Long Island Bus.

Triborough Bridge and Tunnel Authority (MTA Bridges and Tunnels), another affiliate of MTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. MTA Bridges and Tunnels issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. MTA Bridges and Tunnels’ 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 MTA’s affiliates and subsidiaries, which, together with MTA, are referred to herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2008 Combined Continuing Disclosure Filings (Appendix A), which is included by specific cross-reference in this official statement.

The following table sets forth the legal and popular names of the Related Entities. Throughout this official statement, reference to each agency will be made using the popular names.

<u>Legal Name</u>	<u>Popular Name</u>
Metropolitan Transportation Authority	MTA
New York City Transit Authority	MTA New York City Transit
Manhattan and Bronx Surface Transit Operating Authority	MaBSTOA
Staten Island Rapid Transit Operating Authority	MTA Staten Island Railway
MTA Bus Company	MTA Bus
Metropolitan Suburban Bus Authority	MTA Long Island Bus
The Long Island Rail Road Company	MTA Long Island Rail Road
Metro-North Commuter Railroad Company	MTA Metro-North Railroad
MTA Capital Construction Company	MTA Capital Construction
Triborough Bridge and Tunnel Authority	MTA Bridges and Tunnels

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:

- This **Introduction** provides a general description of certain recent developments, as well as the MTA Dedicated Tax Fund.
- **Part I** provides specific information about the Series 2008A Bonds.
- **Part II** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2008A Bonds.
- **Part III** provides miscellaneous information relating to the Series 2008A Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2008A Bonds.
- **Attachment 2** sets forth a summary of certain definitions used in this official statement.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2008A Bonds.
- **Attachment 4** is the form of specimen municipal bond insurance policy.
- **Attachment 5** sets forth certain information with respect to the Initial Liquidity Facility Issuer.
- **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

**Interactive Data Pricing and Reference Data, Inc.**  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> 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  
45<sup>th</sup> 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 2008A 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 Affecting MTA**

***Recent Financial Developments.*** Real estate-related taxes collected between January and May 2008 were \$81 million (15%) below the level anticipated in the 2008 Adopted Budget. MRT-1 was \$18 million below; MRT-2 was \$14 million below; and the Urban Taxes were \$49 million below. The 2008 Budget anticipated that collections from these taxes would be 21% below 2007, but the drop-off in the first five months of 2008 has been greater than expected.

Agency operational results through April 2008 were close to budget, despite rising fuel costs, which alone were \$16 million higher than budget. However, while passenger revenues continue to be above budget, the rate of improvement has been declining. Toll revenue has been short of budget during March and April by less than 1% which has had the effect of reversing gains in the first two months of 2008. Early indications are that May toll revenue will also be below budget. Passenger and toll revenues, as well as the impact of rising fuel costs, will be reassessed in the next financial plan, scheduled for July 2008, and are expected to take into account recent trends as well as updated forecasts for employment in the region. The State enacted its budget on April 8, 2008. The only material change for MTA affected the appropriation for NYCT's and the Commuter Railroad's MMTOA; the appropriation was \$37 million lower than expected in the 2008 budget. This reduction resulted from late State-wide reductions to State aid to localities.

MTA has not yet identified how any shortfalls will be addressed; the July 2008 financial plan (the July Plan) will identify and address deviations in revenues and expenses from the 2008 Adopted Budget. In addition, the July Plan will update the forecasts for dedicated taxes based on recent economic conditions, which are expected to result in decreases in corporate, sales and real estate taxes. As in the past, MTA expects to address shortfalls through a combination of expense reductions and increases in revenues. MTA still anticipates ending 2008 with a positive net cash balance, albeit lower than the level anticipated in the Adopted Budget.

***Integrated Bus Company Operations.*** On May 7, 2008 the MTA announced plans to begin integrating the operations of its three bus companies to create a more seamless and efficient Regional Bus Operations. MTA New York City Transit, MTA Bus and MTA Long Island Bus will each maintain its individual identity and funding, while undergoing a managerial restructuring that is intended to increase accountability and enhance coordination and efficiency in serving the entire MTA region.

***West Side Yards.*** On May 22, 2008 the MTA Board authorized the conditional designation of Related Companies/Goldman Sachs (Related/Goldman) to develop the air space over the two development sites that comprise the MTA's John D. Caemmerer Rail Yard - the Western Rail Yard (WRY) and the Eastern Rail Yard (ERY). Conditional Designation Letters have been executed which commit the MTA and the Related/Goldman joint venture to negotiate exclusively with one another in a mutual effort to finalize legal documents governing the proposed disposition of the development rights for these two sites. As background to this development, on September 28, 2006, the MTA Board authorized the execution of, and the MTA thereafter entered into, a memorandum of understanding with the City (the Rail Yards MOU) with respect to the development of the West Side Yard and the sale of certain transferable development rights (TDRs) on the ERY created by the 2005 rezoning of the ERY by the City. In July of 2007, pursuant to the Rail Yards MOU, MTA issued two separate Requests for Proposals for the sale of and/or long term leasing of air space and related real property interests for development at the ERY and the WRY, respectively. On October 11, 2007, MTA received proposals from five real estate development teams in response to the RFP. Following analysis of those proposals, MTA solicited supplemental proposals from all five teams in late January 2008. Four out of five of the firms submitted supplemental proposals in response to the follow-up request. MTA staff met with each of the four remaining developer teams and a recommendation was presented to the MTA Board which, at its March 26, 2008 meeting, authorized the MTA Executive Director and CEO, upon successful completion of negotiations, to enter into Conditional Designation Letters with Tishman Speyer Properties for the development of the ERY and the WRY, including the construction of a roof over the portion of the West Side Yard used for LIRR operations. When those negotiations could not be successfully concluded, MTA resumed discussions with the other proposers who had submitted supplemental proposals, and the Board, at the May Board meeting, approved the conditional designation of the Related/Goldman joint venture as developer for the WRY and ERY development sites.

***Commission on MTA Financing.*** On June 10, 2008, the Governor appointed a commission to study the MTA's funding needs and solutions. The Commission on MTA Financing, headed by former MTA chairman Richard Ravitch, is charged with recommending strategies to fund MTA capital projects and operating needs over the next ten years.

### **The MTA Dedicated Tax Fund**

Pursuant to the MTA Act, there are two sources of State funding to the MTA Dedicated Tax Fund: the Dedicated Mass Transportation Trust Fund (MTTF) and the Metropolitan Mass Transportation Operating Assistance Account (MMTOA Account) within the Mass Transportation Operating Assistance Fund (MTOA Fund).

As more fully described under the caption "SOURCES OF PAYMENT," current State Tax Law requires that the following be deposited in the MTTF (MTTF Receipts):

- a portion of the revenues derived from certain business privilege taxes imposed by the State on petroleum businesses,
- a portion of the motor fuel tax on gasoline and diesel fuel, and
- a portion of certain motor vehicle fees, including both registration and non-registration fees.

As more fully described under the caption "SOURCES OF PAYMENT," current State Tax Law requires that the following be deposited in the MMTOA Account (MMTOA Receipts):

- a 3/8 of one percent district sales tax,
- a temporary regional franchise tax surcharge,
- a portion of taxes on certain transportation and transmission companies, and
- an additional portion of the business privilege tax imposed on petroleum businesses.

The MTA Act requires that MTTF Receipts deposited into the MTA Dedicated Tax Fund be applied to meet debt service requirements of obligations, including the Series 2008A Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2008A Bonds, are referred to collectively herein as the Bonds). That legislation also requires that MMTOA Receipts deposited into the MTA Dedicated Tax Fund be applied, to the extent that MTTF Receipts are not sufficient to meet those requirements, to meet debt service requirements of the Bonds. MTTF Receipts and MMTOA Receipts not used to meet those requirements are transferred to the Operating and Capital Costs Account to be used to pay operating and capital costs of the Transit System operated by MTA New York City Transit and its subsidiary, MaBSTOA, and MTA Staten Island Railway, and the Commuter System operated by MTA's subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad.

The requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund (as well as any advances in the payment thereof) is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose and the availability of moneys to fund such appropriations. The State Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the State Legislature will make any such appropriation. The State is not restricted in its right to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations that are the source of such Revenues.

## PART I. SERIES 2008A BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2008A Bonds.

### FINANCING PLAN AND APPLICATION OF PROCEEDS

#### Use of Proceeds

The Series 2008A Bonds are being issued to refund on June 26, 2008 the \$345,060,000 outstanding aggregate principal amount of Dedicated Tax Fund Bonds, Series 2005A (the Refunded Bonds) at the redemption price of 100%.

The proceeds of the Series 2008A Bonds (net of certain financing, legal, bond insurance and miscellaneous expenses of approximately \$7,855,000), along with other available monies will be held in the Proceeds Account and used to redeem the Refunded Bonds.

#### Interest Rate Swap

In connection with the issuance of the Series 2005A Bonds, MTA has entered into an interest rate swap agreement with Citigroup Financial Products, Inc. for the purpose of converting MTA's variable rate exposure relating to the Series 2005A Bonds to a fixed rate (the Interest Rate Swap). The Interest Rate Swap has an aggregate notional amount equal to the par amount of the Refunded Bonds. Under the terms of the Interest Rate Swap, MTA pays a fixed rate to the Counterparty and receives a variable rate. The Interest Rate Swap is a Qualified Swap under the DTF Resolution and, as such, MTA's scheduled interest obligations under the Interest Rate Swap constitute a Parity Swap Obligation under the DTF Resolution. The Interest Rate Swap notional amount will remain the same and will continue to hedge substantially all of the Series 2008A Bonds.

### DESCRIPTION OF SERIES 2008A BONDS

#### General

**Variable Rate Bonds.** The Series 2008A Bonds will be dated their date of delivery and will mature on November 1, 2031. The Series 2008A Bonds are Variable Interest Rate Obligations that initially bear interest from their date of delivery in the Weekly Mode. The Series 2008A Bonds will bear interest from the date of issuance to and including July 2, 2008 at a rate to be determined by the Remarketing Agent. **This official statement is intended to provide disclosure only to the extent the Series 2008A Bonds remain in the Weekly Mode. In the event MTA elects to convert the Series 2008A Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2008A Bonds is paid in arrears and is computed upon the basis of a 365-day year (366 in years when February has 29 days), for the number of days actually elapsed. The maximum rate of interest on the Series 2008A Bonds (other than Bank Bonds, as hereinafter described) at any time, whether before or after the maturity thereof, is 12% per annum (the Maximum Rate). "Bank Bonds" are Series 2008A Bonds purchased by the Liquidity Facility Issuer as a result of a draw on the Liquidity Facility to pay the Purchase Price (as hereinafter defined) of Series 2008A Bonds that have been tendered and not remarketed and may bear interest at a rate of up to 25% per annum.

MTA has appointed Citigroup Global Markets Inc. as Remarketing Agent in connection with the remarketing of the Series 2008A Bonds. The Remarketing Agent will determine the interest rate on the Series 2008A Bonds and will remarket the Series 2008A Bonds tendered or required to be tendered for purchase on a best efforts basis. The Remarketing Agent may be removed or replaced by MTA in accordance with the Remarketing Agreement. Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend its obligation to remarket Series 2008A Bonds upon the occurrence of a default by the Insurer under the Insurance Policy (as hereinafter defined) or upon the suspension or termination of the Liquidity Facility.

**Payment of Series 2008A Bonds Purchase Price.** The Purchase Price of the Series 2008A Bonds that are tendered and not remarketed on any Purchase Date is payable pursuant to a standby bond purchase agreement (the Initial Liquidity Facility), by and among Dexia Crédit Local, New York Branch (the Initial Liquidity Facility Issuer), MTA and The Bank of New York, acting as Trustee and Tender Agent with respect to the Series 2008A Bonds.

For more information relating to the Initial Liquidity Facility Issuer, see **Attachment 5**.

**The obligations of the Initial Liquidity Facility Issuer to purchase Series 2008A Bonds are subject to the satisfaction of certain conditions and may be terminated or suspended, in certain instances without notice or without the obligation of the Initial Liquidity Facility Issuer to purchase Series 2008A Bonds that have been tendered for purchase.** See “—Liquidity Facility” below.

The Purchase Price of the Series 2008A Bonds is payable solely from the proceeds of remarketing such Bonds by the Remarketing Agent, and from the proceeds from draws under the Initial Liquidity Facility. Although MTA has the option to purchase Series 2008A Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent, the Remarketing Agent or the Insurer and failure to make that payment shall not constitute an Event of Default under the DTF Resolution. See “—Source of Funds for Purchase of Series 2008A Bonds” below.

The Initial Liquidity Facility is scheduled to expire on June 25, 2011, unless extended or earlier terminated (in certain cases without notice) in accordance with its terms. See “—Liquidity Facility” below.

**Credit Enhancement.** The scheduled payment of principal of and interest on the Series 2008A Bonds when due will be guaranteed under a Municipal Bond Insurance Policy (the Insurance Policy) to be issued concurrently with the delivery of the Series 2008A Bonds by Financial Security Assurance Inc. (the Insurer). See “—Bond Insurance” below. The Insurance Policy does not insure payment of Purchase Price of the Bonds.

**Book-Entry-Only System.** The Series 2008A 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 2008A Bonds. During the period during which the Series 2008A Bonds bear interest in the Weekly Mode, individual purchases will be made in book-entry-only form, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof (Authorized Denominations). So long as DTC is the registered owner of the Series 2008A Bonds, all payments on the Series 2008A 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.** Interest on the Series 2008A Bonds is payable on the first Business Day of each month, commencing July 1, 2008. So long as DTC is the sole registered owner of all of the Series 2008A Bonds, all interest payments will be made to DTC by wire transfer of immediately available funds, and DTC’s participants will be responsible for payment of interest to beneficial owners. All Series 2008A Bonds are fully registered in Authorized Denominations.

**Transfers and Exchanges.** So long as DTC is the securities depository for the Series 2008A Bonds, it will be the sole registered owner of the Series 2008A Bonds, and transfers of ownership interests in the Series 2008A Bonds will occur through the DTC Book-Entry-Only System.

**Trustee, Paying Agent and Tender Agent.** The Bank of New York is Trustee, Paying Agent and Tender Agent with respect to the Series 2008A Bonds.

## Terms Relating to the Weekly Mode

**Determination of Interest Rate in the Weekly Mode.** The interest rate for the Series 2008A Bonds in a Weekly Mode shall be determined by the Remarketing Agent on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the Rate Determination Date). The interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2008A Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The interest rate shall be effective on Thursday and shall continue in effect through the next succeeding Wednesday (the Interest Rate Period), provided that if any Series 2008A Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Series 2008A Bond shall continue in effect only until the day preceding the applicable Mode Change Date.

In the event the Remarketing Agent fails to determine the interest rate or the method of determining the interest rate is held to be unenforceable by a court of law of competent jurisdiction, the Series 2008A Bonds will bear interest at the Alternate Rate for subsequent Interest Rate Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel.

The Alternate Rate is 110% of:

- the SIFMA Index (The Securities Industry and Financial Markets Association Municipal Swap Index released by Municipal Market Data to its subscribers), or
- if the SIFMA Index is no longer published, the S&P Weekly High-Grade Index (the rate determined on the basis of the S&P Weekly High-Grade Index announced on Tuesday or the next preceding Business Day and as published by Standard and Poor's), or
- if neither the SIFMA Index nor the S&P Weekly High-Grade Index are published, an index or a rate selected or determined by the Trustee and consented to by MTA and the Insurer;

provided however, (a) if there has been a failure to pay the Purchase Price of the Series 2008A Bonds tendered or deemed tendered for purchase, and (b) if there is no Remarketing Agent or the Remarketing Agent has suspended the remarketing pursuant to the terms of the Remarketing Agreement, the Alternate Rate will be the Maximum Rate.

No Series 2008A Bond (other than a Bank Bond) may at any time bear interest at a rate that is in excess of 12%. No Bank Bond may at any time bear interest at a rate that is in excess of 25%.

**Binding Effect.** Each determination of the interest rate for the Series 2008A Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2008A Bonds, MTA, the Remarketing Agent, the Tender Agent, the Liquidity Facility Issuer, the Insurer and the Trustee.

## Changes in Mode

**General.** Any Series 2008A Bonds may be changed to any other Mode at the times and in the manner as summarized below.

**Notice of Intention to Change Mode.** MTA shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (the Current Mode) to another Mode (the New Mode) specified in such written notice, together with the proposed effective date of that change in the Mode (the Mode Change Date). The notice shall be given at least 20 days prior to the Mode Change Date.

***General Provisions Applying to Changes from One Mode to Another.***

1. The Mode Change Date must be a Business Day.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 10:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
  - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
  - unless the existing Tender Agency Agreement and Remarketing Agreement are effective on the Mode Change Date, a Tender Agency Agreement and a Remarketing Agreement if required for the New Mode, and
  - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2008A Bonds tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof.
4. If all conditions to the Mode change are met, the interest period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent.
5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2008A Bonds that are the subject of the Mode change:
  - will be subject to mandatory tender for purchase; and
  - will continue to be in the Weekly Mode.

***Rescission of Election to Change from One Mode to Another.*** MTA may rescind any election by it to change Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to 10:00 A.M. on the Business Day preceding such Mode Change Date. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the holders of the Bonds, then such notice of change in Mode shall be of no force and effect. If the Tender Agent receives notice from the MTA of rescission of a Mode Change Date after the Tender Agent has given notice thereof to the holders of the Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Weekly Mode, the Bonds shall remain in the Weekly Mode.

**Tender, Presentation and Purchase Provisions of the Series 2008A Bonds During the Weekly Mode**

***Purchase on Demand of Owners of Series 2008A Bonds in Weekly Mode.*** The Owners of the Series 2008A Bonds that are not Bank Bonds may elect to have such Series 2008A Bonds (or portions thereof in Authorized Denominations) purchased on a Business Day at a price (the Purchase Price) equal to the principal amount so tendered plus accrued interest (if the Purchase Date is not an Interest Payment Date). Owners must deliver a written notice of tender (the Tender Notice), or telephonic notice of tender to the Tender Agent and the Remarketing Agent, promptly confirmed in writing to the Tender Agent and the Remarketing Agent at their respective principal offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. The Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and that tender shall occur on the Purchase Date specified in that Tender Notice. The Tender Agent shall notify the Trustee by the close of business on the next succeeding Business Day of the receipt of any Tender Notice.

During any period that Series 2008A Bonds are registered in the name of DTC or a nominee thereof pursuant to the DTF Resolution,

- any Tender Notice delivered as described in the immediately preceding paragraph shall identify the DTC Participant through whom the beneficial owner will direct transfer,
- on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Series 2008A Bond on the records of DTC, and
- it shall not be necessary for Series 2008A Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2008A Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing that notice of tender is the beneficial owner of Series 2008A Bonds tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of Series 2008A Bonds.

***Mandatory Purchase on any Mode Change Date.*** Except for Bank Bonds, the Series 2008A Bonds to be changed to any Mode from any other Mode are subject to a mandatory tender for purchase on the Mode Change Date at the Purchase Price equal to the principal amount thereof.

***Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date and Substitution Date.*** Except for Bank Bonds, the Series 2008A Bonds are subject to mandatory tender for purchase on:

- the second Business Day preceding the Expiration Date of a Liquidity Facility, which second Business Day is hereinafter referred to as an Expiration Tender Date;
- the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Liquidity Facility, which fifth calendar day is hereinafter referred to as a Termination Tender Date, if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and
- the Substitution Date for a Liquidity Facility.

A “Substitution Date” means:

- the date that is specified in a written notice given by MTA to the Trustee and the Tender Agent as the date on which an Alternate Liquidity Facility is to be substituted for the then-existing Liquidity Facility (even if the substitution fails to occur on that date), and
- the second Business Day preceding the date that is specified in a written notice given to the Trustee and the Tender Agent in accordance with the Liquidity Facility as the date on which the assignment of the obligation of the Liquidity Facility Issuer under the Liquidity Facility is effective (even if the assignment fails to occur on that date).

***Notice of Mandatory Tender for Purchase.*** The Trustee shall, at least fifteen (15) days prior to the Expiration Tender Date, give notice of the mandatory tender on that Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

Upon receipt of a written notice from the Liquidity Facility Issuer or MTA that the Liquidity Facility supporting the Series 2008A Bonds will terminate or the obligation of the Liquidity Facility Issuer to purchase the Series 2008A Bonds will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2008A Bonds that is to occur on such Termination Tender Date if it has not theretofore received from the Liquidity Facility Issuer or MTA a notice stating that the event which resulted in the Liquidity Facility Issuer or MTA giving a notice of the Termination Date has been cured and that the Liquidity

Facility Issuer or MTA has rescinded its election to terminate the Liquidity Facility. Notwithstanding anything to the contrary described below, that notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as described in this paragraph shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

The Trustee shall, at least fifteen (15) days prior to the Substitution Date, give notice of the mandatory tender of the Series 2008A Bonds on the Substitution Date.

The Trustee shall, at least fifteen (15) days prior to any Mode Change Date, give notice to the Notice Parties of the mandatory tender for purchase of the Series 2008A Bonds that is to occur on that date.

Except as provided in the third immediately preceding paragraph, notice of any mandatory tender of Series 2008A Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2008A Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase and specify:

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such Series 2008A Bond, and
- that no further interest will accrue from and after the Mandatory Purchase Date to such Owner.

Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Series 2008A Bonds shall in addition specify the conditions that have to be satisfied pursuant to the DTF Resolution in order for the New Mode to become effective and the consequences that the failure to satisfy any of such conditions would have.

In the event a mandatory tender of Series 2008A Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any Series 2008A Bond receives the notice, and the failure of that Owner to receive any such notice shall not affect the validity of the action described in that notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Series 2008A Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

#### **Remarketing of Series 2008A Bonds; Notices**

The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for (i) all Series 2008A Bonds or portions thereof as to which a Tender Notice has been given and (ii) all Series 2008A Bonds required to be tendered for purchase. No Series 2008A Bond shall be remarketed (x) to MTA, or any affiliate of MTA, nor shall any Bank Bonds be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Series 2008A Bonds became Bank Bonds, and (y) at a price that is less than the Purchase Price of such Series 2008A Bonds.

Pursuant to the Remarketing Agreement, the Remarketing Agent may suspend remarketing of the Series 2008A Bonds upon the occurrence of a default by the Insurer or upon the termination or suspension of the Liquidity Facility.

### **Source of Funds for Purchase of Series 2008A Bonds**

On or before 3:00 p.m. on the Purchase Date or the Mandatory Purchase Date, the Tender Agent shall purchase the Series 2008A Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

- immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of Series 2008A Bonds; and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Liquidity Facility.

Notwithstanding the foregoing, MTA shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Series 2008A Bond that is tendered or deemed tendered as described in this official statement and the Purchase Price of which is not paid on the Purchase Date or Mandatory Purchase Date from any of the sources identified above. None of the MTA, the Trustee, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or, except from the sources identified above, make available such Purchase Price. The failure to pay any such Purchase Price for Series 2008A Bonds that have been tendered or deemed tendered for purchase from any of the sources identified above shall not constitute an Event of Default under the DTF Resolution and in the case of that failure those Series 2008A Bonds shall not be purchased and shall remain in the Weekly Mode.

### **Delivery of Remarketed Series 2008A Bonds**

Except as otherwise required or permitted by DTC's book-entry-only system of the Securities Depository, remarketed Series 2008A Bonds sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Remarketed Bonds by 3:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be.

### **Delivery and Payment for Purchased Series 2008A Bonds; Undelivered Series 2008A Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed Series 2008A Bonds purchased as set forth above shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Mode Change Date at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any remarketed Series 2008A Bond purchased shall be made only if such Series 2008A Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Mode Change Date, or, if the bondholder has not provided or caused to be provided wire transfer instructions, by check mailed to the bondholder at the address appearing in the books required to be kept by the Trustee pursuant to the DTF Resolution. If Series 2008A Bonds to be purchased are not delivered by the bondholders to the Tender Agent by 12:00 noon on the Mode Change Date, the Tender Agent shall hold any funds received for the purchase of those Series 2008A Bonds in trust in a separate account uninvested, and shall pay such funds to the former bondholders upon presentation of the Series 2008A Bonds subject to tender. Undelivered Series 2008A Bonds are deemed tendered and cease to accrue interest as to the former bondholders on the Mode Change Date if moneys representing the Purchase Price shall be available against delivery of those Series 2008A Bonds at the Principal Office of the Tender Agent; provided, however, that any funds so held by the Tender Agent that remain unclaimed by the former holder of any such Series 2008A Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent shall, to the extent permitted by law, upon request in writing by MTA and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to MTA free of any trust or lien and thereafter the former holder of such Series 2008A Bond shall look only to MTA and then only to the extent of the amounts so received by MTA without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Series 2008A Bonds. The Tender Agent shall authenticate a replacement Series 2008A Bond for any undelivered Series 2008A Bond which may then be remarketed by the Remarketing Agent.

## **Special Considerations Relating to the Series 2008A Bonds**

***The Remarketing Agent is Paid By MTA.*** The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the DTF Resolution and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by MTA and is paid by MTA for its services. As a result, the interests of the Remarketing Agent may differ from those of existing bondholders and potential purchasers of Series 2008A Bonds.

***The Remarketing Agent Routinely Purchases Series 2008A Bonds for its Own Account.*** The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008A Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series 2008A Bonds in order to achieve a successful remarketing of the Series 2008A Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2008A Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2008A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008A Bonds by routinely purchasing and selling Series 2008A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008A Bonds. The Remarketing Agent may also sell any Series 2008A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008A Bonds. The purchase of Series 2008A Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2008A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008A Bonds being tendered in a remarketing.

***Series 2008A Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date.*** Pursuant to the DTF Resolution and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008A Bonds (including whether the Remarketing Agent is willing to purchase Series 2008A Bonds for its own account). There may or may not be Series 2008A Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2008A Bonds at the remarketing price. In the event a Remarketing Agent owns any Series 2008A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008A Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

***The Ability to Sell the Series 2008A Bonds Other Than Through the Tender Process May Be Limited.*** The Remarketing Agent may buy and sell Series 2008A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Series 2008A Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2008A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008A Bonds other than by tendering the Series 2008A Bonds in accordance with the tender process.

***The Remarketing Agent May Resign Without a Successor Being Named.*** The Remarketing Agent may resign, whether or not a successor Remarketing Agent has been appointed and accepted such appointment, in the event either (a) MTA has failed to pay to the Remarketing Agent any fee payable pursuant to the Remarketing Agreement at the time required; or (b) it is then illegal under applicable law for the Remarketing Agent to serve as Remarketing Agent under the Remarketing Agreement.

## Redemption Provisions During the Weekly Mode

The Series 2008A Bonds are redeemable prior to maturity on such dates and at such prices during the Weekly Mode as are set forth below.

***Mandatory Sinking Fund Redemption.*** The Series 2008A Bonds are subject to redemption in part on November 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year set forth below the principal amount of such Series 2008A Bonds specified for each of the years shown below:

<u>Payment Date</u> <u>(November 1)</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Payment Date</u> <u>(November 1)</u>	<u>Sinking Fund</u> <u>Installment</u>
2008	\$ 1,540,000	2020	\$ 2,360,000
2009	1,825,000	2021	20,865,000
2010	1,885,000	2022	24,315,000
2011	1,950,000	2023	25,170,000
2012	2,015,000	2024	26,055,000
2013	2,100,000	2025	26,990,000
2014	2,170,000	2026	27,940,000
2015	2,245,000	2027	28,930,000
2016	2,320,000	2028	29,950,000
2017	2,415,000	2029	31,020,000
2018	2,495,000	2030	32,115,000
2019	20,990,000	2031*	33,255,000

\* Final maturity

***Credit Toward Mandatory Sinking Fund Redemption.*** MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and if taken, thereafter reduce the amount of term Series 2008A Bonds otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase Series 2008A Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due as directed by the MTA.
- If MTA purchases or redeems term Series 2008A Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installments in any order, and in any annual amount, that MTA may direct.

***Optional Redemption.*** The Series 2008A Bonds are subject to redemption prior to maturity as a whole or in part (in accordance with procedures of DTC, so long as DTC is the Owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper), on any Business Day, subject to applicable notice, at a Redemption Price equal to the principal amount thereof, without premium, plus accrued interest up to but not including the redemption date. If any such optional redemption shall occur, MTA will redeem Bank Bonds first.

***State and City Redemption.*** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2008A Bonds, prior to maturity, as a whole, on any interest payment date not less than twenty years after the date of issue of the Series 2008A Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2008A Bonds in the case of redemption as a whole on the redemption date. The MTA Act further provides that the City, upon furnishing sufficient funds, may require MTA to redeem the Series 2008A Bonds, as a whole, but only in accordance with the terms upon which the Series 2008A Bonds are otherwise redeemable.

**Redemption of Bank Bonds.** The Bank Bonds shall be subject to optional and mandatory redemption under the same terms and conditions as provided with respect to other Series 2008A Bonds. The Bank Bonds shall also be subject to mandatory redemption at the times and under the terms and conditions as provided in the Liquidity Facility relating to such Bank Bonds.

**Redemption in Part; Bank Bonds To Be Redeemed First.** In the event of a redemption of less than all the Series 2008A Bonds, the Trustee shall in accordance with the DTF Resolution first select for redemption all then outstanding Bank Bonds prior to selecting for redemption any Series 2008A Bonds that are not Bank Bonds unless the Liquidity Facility Issuer shall be in default under the Liquidity Facility, in which case, the Trustee shall at the written direction of MTA, select for redemption outstanding Series 2008A Bonds in accordance with such direction.

**Redemption Notices.** So long as DTC is the securities depository for the Series 2008A Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2008A Bonds are not held in book-entry-only form, then the Trustee must mail redemption notices directly to bondholders within the same time frame. A redemption of the Series 2008A Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption shall state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

**Effect of Call for Redemption.** If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2008A Bonds called for redemption will become due and payable. If the Trustee gives a conditional notice of redemption and holds money to pay the redemption price of the affected Series 2008A Bonds, then on the redemption date the Series 2008A Bonds called for redemption will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the Series 2008A Bonds called for redemption, thereafter, no interest will accrue on those Series 2008A Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2008A Bonds.

## **Amendments**

The provisions of the DTF Resolution, with respect to the Series 2008A Bonds, may be modified or amended pursuant to the DTF Resolution by obtaining, when required by the DTF Resolution, the consent of the Owners of all Series 2008A Bonds or, in lieu thereof as permitted by the DTF Resolution, the Insurer. All Owners of the Series 2008A Bonds will be deemed to have consented to a modification or amendment if on the 30<sup>th</sup> day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Trustee mailed notice of such proposed modification or amendment to the Owners of the Series 2008A Bonds there is delivered to the Trustee –

- a certificate of the Tender Agent to the effect that all Series 2008A Bonds that have been optionally tendered for purchase by their Owners after the date on which the Trustee mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof,
- a written consent of the Remarketing Agent to the proposed modification or amendment, and
- a favorable Opinion of Bond Counsel.

## **Liquidity Facility**

**General Description.** The Series 2008A Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2008A Bonds tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2008A Bonds) will be funded

only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Liquidity Facility. Although MTA has the option to purchase Series 2008A Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer, it is not obligated to do so. The Insurer has no obligation to pay the Purchase Price. See “— Tender, Presentation and Purchase Provisions of the Series 2008A Bonds During the Weekly Mode and Source of Funds for Purchase of Series 2008A Bonds” above. See **Attachment 5** — “Initial Liquidity Facility Issuer” for information regarding the Initial Liquidity Facility Issuer.

Subject to certain conditions described below, the Initial Liquidity Facility Issuer will purchase from time to time during the period from the date of delivery of the Series 2008A Bonds to and including June 25, 2011 (unless extended) or earlier termination or suspension of the Initial Liquidity Facility, any Tendered Series 2008A Bonds which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the DTF Resolution. The price to be paid by the Initial Liquidity Facility Issuer pursuant to the Initial Liquidity Facility for purchased Series 2008A Bonds will be equal to the aggregate principal amount of such Series 2008A Bonds plus accrued interest thereon (up to 35 days of interest calculated at an aggregate rate not to exceed 12% per annum based on a year of 365 days), if any, other than defaulted interest, to the date of such purchase. Upon any purchase of Series 2008A Bonds with amounts realized under the Initial Liquidity Facility, the commitment of the Initial Liquidity Facility Issuer to purchase Series 2008A Bonds shall be reduced by the Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2008A Bonds from the Initial Liquidity Facility Issuer, all in accordance with the Initial Liquidity Facility.

The Initial Liquidity Facility does not provide security for the scheduled payment of principal of or interest or premium, if any, on the Series 2008A Bonds, and the funds drawn thereunder may not be used for such purposes.

**AS DESCRIBED BELOW, THE INITIAL LIQUIDITY FACILITY PROVIDES THAT THE OBLIGATION OF THE INITIAL LIQUIDITY FACILITY ISSUER TO PURCHASE SERIES 2008A BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE, MAY BE IMMEDIATELY TERMINATED UPON THE OCCURRENCE OF CERTAIN EVENTS WITHOUT NOTICE TO THE OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2008A BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE. FAILURE TO PAY THE PURCHASE PRICE OF SERIES 2008A BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE DTF RESOLUTION.**

***Immediate Termination Events.*** The occurrence of certain termination events under the Initial Liquidity Facility may result in an immediate termination of the Initial Liquidity Facility Issuer’s commitment to purchase Tendered Series 2008A Bonds or may entitle the Initial Liquidity Facility Issuer to terminate its obligations under the Initial Liquidity Facility. In the case of the following termination events, except as provided in the final paragraph of this section, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2008A Bonds shall immediately terminate or suspend without notice or demand, and thereafter the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2008A Bonds:

- (a) any principal or interest due on the Series 2008A Bonds is not paid by MTA when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or
- (b) (i) any provision of the Insurance Policy relating to the obligation of the Insurer to make payments of principal and interest on the Bonds at any time for any reason ceases to be valid and binding on the Insurer in accordance with the terms of the Insurance Policy or is declared to be null and void by the New York Department of Insurance; or (ii) the Insurer shall in writing claim that the Insurance Policy with respect to the payment of principal or interest on the Series 2008A Bonds is not valid and binding on the Insurer, and repudiate the obligations of the Insurer under the Insurance Policy with respect to the payment of principal of or interest on the Series 2008A Bonds, or the Insurer shall initiate any legal proceedings to seek adjudication that the Insurance Policy with respect to the payment of principal, interest, or the special redemption of the Series 2008A Bonds pursuant to the Initial Liquidity Facility is not valid and binding on the Insurer, or any court or Government Authority with jurisdiction to rule on the validity of the Insurance Policy shall find or rule that the Insurance Policy is not valid and binding on the Insurer; or

- (c) certain acts of bankruptcy or insolvency relating to the Insurer or any substantial part of its property; or
- (d) the Insurer shall default in any payment or payments of amounts payable by it under any insurance policies insuring any publicly rated securities (other than the Insurance Policy) when due, and such default shall continue for a period of thirty (30) days unless the obligation of the Insurer to pay is being contested by the Insurer in good faith by appropriate proceedings, or
- (e) each of Moody's, S&P, and Fitch withdraw or suspend for credit related reasons the financial strength rating of the Insurer or reduce such rating in the case of Moody's, below Baa3, in the case of S&P, below BBB-, and in the case of Fitch, below BBB.

Upon the occurrence of a termination event specified in paragraph (a), (b)(i), (c), (d) or (e) above, the obligation of the Initial Liquidity Facility Issuer to purchase Series 2008A Bonds shall immediately terminate without notice or demand. The Initial Liquidity Facility Issuer is to give written notice of the same to the Trustee, the Insurer, MTA and the Remarketing Agent; provided, that the Initial Liquidity Facility Issuer shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Initial Liquidity Facility Issuer's commitment and its obligation to purchase Tendered Series 2008A Bonds pursuant to the Initial Liquidity Facility.

Upon the occurrence of a termination event described in clause (b)(ii) above, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2008A Bonds is immediately and automatically suspended, without notice, until a final nonappealable order of a court having jurisdiction in the premises shall be entered declaring the Insurance Policy and the obligations of the Insurer thereunder are upheld in their entirety. In the event such order is entered declaring the Insurance Policy null and void, or declaring that the Insurer does not have any further liability or obligation under the Insurance Policy, then the Initial Liquidity Facility Issuer's obligation to purchase Tendered Series 2008A Bonds shall immediately terminate. In the event such order is entered declaring that the Insurance Policy and the obligations of the Insurer thereunder are upheld in their entirety, the Initial Liquidity Facility Issuer's obligation to purchase Tendered Series 2008A Bonds shall be automatically reinstated (unless the Initial Liquidity Facility shall otherwise have terminated by its terms) as if there has been no such suspension. Notwithstanding the foregoing, if, upon the earlier of the Purchase Termination Date or Termination Date or the date which is two (2) years after the effective date of suspension of the Initial Liquidity Facility Issuer's obligations as described in this paragraph, litigation is still pending and a judgment regarding the validity of the entire Insurance Policy has not been obtained, then the Available Commitment and the obligation of the Initial Liquidity Facility Issuer to purchase Series 2008A Bonds shall at such time terminate without notice or demand and, thereafter, the Initial Liquidity Facility Issuer shall be under no obligation to purchase Series 2008A Bonds.

In addition, upon the occurrence of an event described in clause (c) (prior to the expiration of the specified cure period) or (d) (prior to the expiration of the thirty (30) day period specified therein) above which with the passage of time, the giving of notice, or both, would become a termination event, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2008A Bonds is automatically and immediately suspended, without notice, to MTA, the Trustee, the Tender Agent or the Insurer. If such event is remedied prior to becoming a termination event specified in clause (c) or (d) above, the Initial Liquidity Facility Issuer's obligation to purchase Tendered Series 2008A Bonds shall be automatically reinstated (unless the Initial Liquidity Facility shall otherwise have terminated by its terms).

Upon the occurrence of any of the termination or suspension events specified above –

- the Series 2008A Bonds **will not** be subject to mandatory tender for purchase, and
- the Remarketing Agent may suspend its obligation to remarket any Series 2008A Bonds that have been optionally tendered for purchase by their holders.

In the case of certain other termination events under the Initial Liquidity Facility, the Initial Liquidity Facility Issuer may terminate its commitment to purchase Tendered Series 2008A Bonds by giving written notice to MTA, the Trustee, the Tender Agent and the Insurer, specifying the date on which the Initial Liquidity Facility

Issuer's commitment to purchase Tendered Series 2008A Bonds shall terminate (not less than 30 days after the date of receipt of such notice by the Trustee). In such event –

- the Series 2008A Bonds will be subject to mandatory tender for purchase on the Termination Tender Date, and
- the Remarketing Agent may suspend its obligation to remarket Tendered Series 2008A Bonds.

In the event that the Remarketing Agent does not suspend its obligation to remarket the Series 2008A Bonds, the Remarketing Agent will continue to remarket the Series 2008A Bonds at rates up to the Maximum Rate. In the event the Remarketing Agent does suspend its obligation to remarket the Series 2008A Bonds, the Series 2008A Bonds will bear interest at the Maximum Rate during such suspension.

**See “– Tender, Presentation and Purchase Provisions of the Series 2008A Bonds During the Weekly Mode”; “Remarketing of Series 2008A Bonds; Notices”; and “Sources of Funds for Purchase of Series 2008A Bonds” above.**

### **Bond Insurance**

***Bond Insurance Policy.*** Concurrently with the issuance of the Series 2008A Bonds, the Insurer will issue its Municipal Bond Insurance Policy for the Series 2008A Bonds (the Policy). The Policy guarantees the scheduled payment of principal of and interest on the Series 2008A Bonds when due as set forth in the form of the Policy included as **Attachment 4** to this official statement. The policy does not insure payment of the purchase price of the Bonds.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

***Financial Security Assurance Inc.*** Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Crédit Local, a direct wholly-owned subsidiary of Dexia, S.A. and the liquidity provider for the Bonds. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately \$3,012,872,486 and its total net unearned premium reserve was approximately \$2,419,501,630 in accordance with statutory accounting principles. At March 31, 2008, Financial Security's consolidated shareholder's equity was approximately \$3,053,752,711 and its total net unearned premium reserve was approximately \$1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the

preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

### **Special Considerations Relating to Bond Insurance**

The long-term ratings on the Series 2008A Bonds are dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Insurer. The Insurer's current claims paying ability or financial strength ratings are predicated on a number of factors which could change over time and could result in downgrading of the ratings on the Bonds insured by the Insurer. Such a downgrade could adversely affect the market price for and marketability of the Series 2008A Bonds. The Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future.

The Insurer's obligations under the policy are general obligations of the Insurer. Default by the Insurer may result in insufficient funds being available to pay principal and interest on the Series 2008A Bonds. In such event, the remedies available to the Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Insurer, which has the right, acting with the Trustee, without Bondholder consent, to amend applicable provisions of the DTF Resolution governing defaults and remedies and to direct the Trustee to direct remedies with respect to such obligation.

### **Debt Service on the Dedicated Tax Fund Bonds**

**Table 1** sets forth, on a cash basis for each State fiscal year ending March 31, (i) the debt service on the outstanding DTF Bonds, (ii) the estimated debt service on the Series 2008A Bonds, and (iii) the debt service on all Bonds outstanding under the DTF Resolution after issuance of the Series 2008A Bonds.

**[The remainder of this page is intentionally left blank.]**

**Table 1**  
**MTA Dedicated Tax Fund Bonds**  
**Aggregate Debt Service <sup>(1)</sup>**  
**(000's omitted)**

Year Ending March 31 <sup>(2)</sup>	Outstanding Bonds <sup>(3)</sup>	Series 2008A Bonds <sup>(4)</sup>	Aggregate Debt Service <sup>(5)</sup>
2009	\$ 235,405	\$ 10,318	\$ 245,724
2010	184,285	13,508	197,794
2011	237,510	13,506	251,015
2012	237,460	13,506	250,965
2013	237,396	13,504	250,900
2014	237,400	13,519	250,919
2015	236,986	13,517	250,504
2016	237,133	13,518	250,650
2017	237,446	13,516	250,962
2018	237,314	13,531	250,845
2019	235,281	13,528	248,808
2020	212,972	31,733	244,705
2021	232,358	12,611	244,969
2022	214,286	30,831	245,118
2023	211,720	33,549	245,269
2024	212,765	33,586	246,350
2025	212,619	33,624	246,243
2026	212,714	33,682	246,396
2027	212,729	33,724	246,453
2028	212,748	33,774	246,522
2029	212,631	33,820	246,451
2030	212,701	33,882	246,583
2031	212,723	33,933	246,656
2032	212,747	33,992	246,739
2033	248,620	-	248,620
2034	105,666	-	105,666
2035	61,004	-	61,004
2036	48,950	-	48,950
2037	<u>26,232</u>	-	<u>26,232</u>
<b>TOTAL</b>	<u><b>\$5,829,798</b></u>	<u><b>\$558,211</b></u>	<u><b>\$6,388,010</b></u>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Based on the State's fiscal year ending March 31.

<sup>(3)</sup> Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap relating thereto, and 4.00% thereafter. Assumes interest at a rate of 4.00% per annum on the Series 2004B Bonds and the Series 2004D Bonds. Due to the effects of the volatile conditions in the market affecting variable rate bonds, the recent interest rates to the MTA for these variable rate securities have at times been higher than the assumed 4.00% rate. However, based on historical averages and mitigating actions taken or actions to be taken by the MTA, MTA continues to believe that its 4.00% variable rate assumption is reasonable for long term cost calculations. Takes into account the effects during 2008 and 2009 of the cash defeasance of certain bonds due on November 15, 2009. Does not include debt service related to the Refunded Bonds.

<sup>(4)</sup> Assumes interest at a rate of 3.3156% per annum on the hedged Series 2008A Bonds based on an interest rate swap relating thereto, and an interest rate of 4.00% per annum for the unhedged portion of the Series 2008A Bonds. Under certain limited circumstances, the interest rate swap relating to the Series 2008A Bonds may be modified to increase the fixed rate payable by MTA thereunder.

<sup>(5)</sup> Includes 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 Dedicated Tax Fund Bonds, including the Series 2008A Bonds.

### SOURCES OF PAYMENT

Under State Law, MTA receives money from certain dedicated taxes and fees described in this section. This money is deposited into MTA's Dedicated Tax Fund and is pledged by MTA for the payment of its Dedicated Tax Fund Bonds.

#### Revenues from Dedicated Taxes

***MTA Revenues from PBT, Motor Fuel Tax and Motor Vehicle Fees (MTTF Receipts)***. In 1991, as part of a program to address the need for continued capital investment in the State's transportation infrastructure, the State Legislature established a State fund, called the PBT Dedicated Tax Funds Pool, from which money is apportioned by statutory allocation under current State Tax Law to a State fund, called the Dedicated Mass Transportation Trust Fund (MTTF). Currently, portions of the following taxes and fees are deposited into the PBT Dedicated Tax Funds Pool:

- A group of business privilege taxes imposed on petroleum businesses operating in the State (the PBT taxes), generally consisting of
  - a basic tax that varies based on product type,
  - a supplemental tax that, in general, is applied at a uniform rate, and
  - a petroleum business carrier tax.

A significant portion (currently, 80.3%) of net PBT receipts from the basic tax and all of the supplemental tax and the carrier tax are required by current law to be deposited in the PBT Dedicated Funds Pool.

- Motor fuel taxes on gasoline and diesel fuel.
- Certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees. Effective October 1, 2005, certain registration and non-registration fees were increased.

Thirty-four percent of the PBT Dedicated Funds Pool is currently deposited in the MTTF for MTA's benefit. Subject to appropriation by the State Legislature, money in that account is required by law to be transferred to the MTA Dedicated Tax Fund, held by MTA. Amounts transferred from the MTTF Account to the MTA's Dedicated Tax Fund constitute "MTTF Receipts."

A more detailed description of the MTTF Receipts is set forth in Appendix A (included herein by specific cross-reference) under the caption "DEDICATED TAX FUND BONDS" under the following headings:

- MTTF Receipts – Dedicated Petroleum Business Tax,
- MTTF Receipts – Motor Fuel Tax, and
- MTTF Receipts – Motor Vehicle Fees.

***MTA Revenues from Special Tax-Supported Operating Subsidies (MMTOA Receipts)***. Like other mass transit systems in the nation, the Transit System and Commuter System have historically operated at a deficit and have been dependent upon substantial amounts of general operating subsidies from the State, as well as the City and Federal governments. Over time, the ongoing needs of State mass transportation systems led the State to supplement the general operating subsidies with additional operating subsidies supported by special State taxes.

Starting in 1980, in response to anticipated operating deficits of State mass transportation systems, the State Legislature enacted a series of taxes, portions of the proceeds of which have been and are to be deposited in a special State Fund – the *Mass Transportation Operating Assistance Fund* – to fund the operations of mass transportation systems. The Metropolitan Mass Transportation Operating Assistance Account, or MMTOA Account, was established in that State Fund to support operating expenses of transportation systems in the MTA Commuter Transportation District, including MTA New York City Transit, MaBSTOA and the commuter railroads operated by MTA’s subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad. After payment of Section 18-b general operating assistance to the various transportation systems, MTA gets approximately 86% of the moneys deposited in the MMTOA Account, with the remaining 14% available to other transportation properties within the MTA Commuter Transportation District, such as MSBA and MTA Bus, which currently operates the routes formerly operated by the City private franchise bus lines.

Since the creation of the MMTOA Account, MTA has requested and received in each year significant payments from that Account in order to meet operating expenses of the transit and commuter systems. It is expected that payments from the MMTOA Account will continue to be essential to the operations of the transit and commuter systems. Although a variety of taxes have been used to fund the special tax-supported operating subsidies, the taxes levied for this purpose, which MTA refers to collectively as the “MMTOA Taxes,” currently include:

- **MMTOA PBT.** The products that are subject to the tax, the tax rates, and the transactions excluded from the tax are identical to those of the basic PBT tax dedicated to the PBT Dedicated Funds Pool and the MTTF Account in that Pool. Pursuant to State law, of the remaining 19.7% of the PBT Basic Tax that is not deposited to the PBT Dedicated Tax Funds Pool, 55% (or 10.835% of the PBT Basic Tax collections) is deposited in the MMTOA Account.
- **District Sales Tax.** The District Sales Tax consists of a 0.375 percent sales and compensating use tax imposed on sales and uses of certain tangible personal property and services applicable only within the MTA Commuter Transportation District.
- **Franchise Taxes.** Also deposited in the MMTOA Account is a legislatively-allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies) —
  - an annual franchise tax based on the amount of the taxpayer’s issued capital stock, and
  - an annual franchise tax on the taxpayer’s gross earnings from all sources calculated to be in the State pursuant to statutory formulae.
- **Temporary Franchise Surcharges.** The Temporary Franchise Surcharges are imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within the MTA Commuter Transportation District. In accordance with State Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as taxes are received.

A more detailed description of the MMTOA Taxes is set forth in **Appendix A** (included herein by specific cross-reference) under the caption “DEDICATED TAX FUND BONDS – MMTOA Account – Special Tax Supported Operating Subsidies.”

**Five-Year Summary of MTTF Receipts and MMTOA Receipts.** **Table 2** sets forth a five-year summary (based on the State’s fiscal year ending March 31) of the following:

- actual collections by the State of receipts for each of the sources of revenues that, subject to appropriation and allocation among MTA and other non-MTA transportation agencies, could become receipts of the MTA Dedicated Tax Fund,
- amount of MTTF Receipts and MMTOA Receipts, and
- debt service coverage ratio based upon MTTF Receipts, and MTTF Receipts plus MMTOA Receipts.

**Table 2**  
**Summary of MTTF Receipts and MMTOA Receipts**

<b>Dedicated Taxes (\$ millions)</b>	<b>State Fiscal Year ending March 31,</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>MTTF</b>					
PBT	\$ 313.2	\$ 323.1	\$ 340.8	\$ 325.9	\$ 345.8
Motor Fuel Tax	96.6	101.4	101.9	98.9	101.4
Motor Vehicle Fees <sup>(1)</sup>	<u>96.1</u>	<u>126.6</u>	<u>145.9</u>	<u>170.6</u>	<u>173.9</u>
<b>Total Available MTTF Taxes<sup>(2)</sup></b>	\$ 505.9	\$ 551.1	\$ 588.6	\$ 595.4	\$ 621.1
<b>MTTF Receipts<sup>(3)</sup></b>	\$ 495.2	\$ 559.7	\$ 569.3	\$ 608.9	\$ 613.4
<b>MMTOA</b>					
PBT	\$ 72.2	\$ 74.2	\$ 78.8	\$ 72.5	\$ 76.2
District Sales Tax <sup>(4)</sup>	399.3	428.9	603.1	688.1	705.4
Franchise Taxes	57.4	64.5	73.6	68.4	68.0
Temporary Franchise Surcharges <sup>(5)</sup>	<u>484.2</u>	<u>571.4</u>	<u>766.2</u>	<u>962.3</u>	<u>974.9</u>
<b>Total Available MMTOA Taxes<sup>(6)</sup></b>	<u>\$1,013.1</u>	<u>\$1,139.0</u>	<u>\$1,521.7</u>	<u>\$1,791.3</u>	<u>\$1,824.5</u>
<b>MMTOA Receipts<sup>(7)</sup></b>	\$ 730.9	\$ 736.4	\$1,146.7 <sup>(8)</sup>	\$1,069.2	1,525.9
<b>Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)</b>	<u>\$1,226.1</u>	<u>\$1,296.1</u>	<u>\$1,516.0</u>	<u>\$1,878.1</u>	<u>\$2,139.3</u>
<b>Debt Service</b>	\$ 141.9	\$ 156.8	\$ 195.4	\$ 231.4	\$263.8
<b>Debt Service Coverage Ratio – MTTF Receipts Only</b>	3.49x	3.57x	2.91x	2.63x	2.33x
<b>Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts</b>	8.64x	8.27x	7.76x	8.12x	8.11x

(1) Beginning on April 1, 2005, all remaining General Fund revenues derived from motor vehicle fees were moved to the Dedicated Funds Pool. In accordance with the 2005-06 Enacted Budget, additional motor vehicle fees were deposited into the Dedicated Funds Pool beginning on October 1, 2005.

(2) Represents the amount of MTTF taxes collected by the State that was deposited into the MTTF.

(3) Represents the amount of MTTF taxes collected by the State that was deposited into the MTA Dedicated Tax Fund, thereby becoming MTTF Receipts. The amount of MTTF Receipts in any State fiscal year could be greater than the amount collected for deposit into the MTTF due to, among other things, investment earnings or surplus amounts retained in the MTTF that were not paid out in prior years.

(4) The district sales tax was increased from 1/4% to 3/8% effective June 1, 2005.

(5) For 2006, 2007 and 2008, includes certain non-recurring amounts related to increased audit activities.

(6) Represents the amount of MMTOA taxes collected by the State that was deposited into the MMTOA Account. Amounts in the MMTOA Account are available, subject to appropriation, to pay operating expenses of the various public transportation systems throughout the MTA Commuter Transportation District, including MTA.

(7) Represents the amount in the MMTOA Account that was, subject to appropriation, requested by, and paid to, MTA for deposit into the MTA Dedicated Tax Fund, thereby becoming MMTOA Receipts. The difference between Total Available MMTOA Taxes and MMTOA Receipts generally represents the amount appropriated for operating expenses of the various non-MTA systems in the MTA Commuter Transportation District, as well as the amounts appropriated to MTA and other transportation agencies, primarily in accordance with the Section 18-b Program as described in this Appendix A under the caption "REVENUES OF THE RELATED ENTITIES – State and Local General Operating Subsidies."

(8) At the end of the State's 2005-06 fiscal year, the State accelerated the payment of \$200 million of MMTOA Receipts to the MTA in the following manner: it increased appropriations from levels enacted in that fiscal year and upon payment within that fiscal year, required that appropriations that were recommended and subsequently enacted in the State's 2006-07 fiscal year be commensurately reduced. This money is not additional money to MTA since it is received in the same calendar year as originally expected. Total Pledged Revenues for 2006 does not include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2006 also exclude the effect of this \$200 million advance. Total Pledged Revenues for 2007 does include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2007 are calculated as if this \$200 million advance had not occurred.

In order to assist MTA in balancing its budgets for calendar year 2002, the State advanced the payment of a fifth quarter of MMTOA Receipts scheduled for the first quarter of calendar year 2003 into the fourth quarter of calendar year 2002. Currently, MTA receives the equivalent of four quarters of MMTOA Receipts each year, with the first quarter of each succeeding calendar year's receipts similarly advanced. This results in little or no MMTOA Receipts being received during the first quarter of each calendar year; the MTA has made other provisions to provide for cash liquidity during this period. There has been no change in the timing of the State's payment of, or MTA's receipt of, MTTF Receipts, which MTA anticipates will be sufficient to make monthly principal and interest deposits into the Debt Service Fund.

### **Factors Affecting Revenues from Dedicated Taxes**

**Legislative Changes.** The requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose and the availability of moneys to fund such appropriations. The State Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the State Legislature will make any such appropriation. The State is not restricted in its right to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations that are the source of such Revenues.

In late 2005, MTA proposed legislation which would have provided for the creation of an additional bonding program secured solely or primarily by the additional 1/8 of one percent of district sales tax which was imposed effective June 1, 2005. Such legislation was not enacted. In connection with the financing of the 2005-2009 MTA Capital Program or future capital programs, MTA may propose similar legislation or other legislation affecting components of the taxes currently securing MTA Dedicated Tax Fund Bonds.

**Litigation.** Aspects relating to the imposition and collection of the Dedicated Taxes have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

**Economic Conditions.** Many of the Dedicated Taxes are dependent upon economic and demographic conditions in the State and in the MTA Commuter Transportation District, and therefore there can be no assurance that historical data with respect to collections of the Dedicated Taxes will be indicative of future receipts.

**Government Assistance.** The level of government assistance to MTA through Dedicated Taxes may be affected by several different factors:

- The State 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. However, in the case of the PBT that is deposited as a portion of the MTTF Receipts, the State Legislature has expressed its intent in the State Finance Law to enact for each State fiscal year an appropriation for the current and the next year. See the heading "SECURITY – Appropriation by the Legislature" below.
- 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.

**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 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 MTA's Dedicated Tax Fund 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 MTA's Dedicated Tax Fund Bonds. MTA makes no representations about State information or its continued availability.

**[The remainder of this page is intentionally left blank.]**

## SECURITY

The Dedicated Tax Fund Bonds are MTA's special obligations payable as to principal, redemption premium, if any, and interest solely from the security, sources of payment and funds specified in the MTA's "Dedicated Tax Fund Obligation Resolution," which includes the Standard Resolution Provisions, adopted on March 26, 2002 (referred to herein as the "DTF Resolution"). Payment of principal of or interest on the Bonds may not be accelerated in the event of a default.

MTA Dedicated Tax Fund Bonds are secured primarily by the "SOURCES OF PAYMENT" described above, and are *not* secured by

- the general fund or other funds and revenues of the State, or
- the other funds and revenues of MTA or any of its affiliates or subsidiaries.

The Bonds are not a debt of the State or The City of New York, or any other local governmental unit. MTA has no taxing power.

Summaries of certain provisions of the DTF Resolution and the Standard Resolution Provisions have been filed with the repositories listed under "INTRODUCTION – Information from Repositories," and are available on MTA's website.

### **Pledge Effected by the DTF Resolution**

*Trust Estate.* The DTF Resolution provides that there are pledged to the payment of principal and redemption premium of, interest on, and sinking fund installments for, the Bonds and Parity Debt, in accordance with their terms and the provisions of the DTF Resolution, subject only to the provisions permitting the application of that money for the purposes and on the terms and conditions permitted in the DTF Resolution, the following, referred to as the "trust estate":

- the proceeds of the sale of the Bonds, until those proceeds are paid out for an authorized purpose,
- the Pledged Amounts Account in the MTA Dedicated Tax Fund (which includes MTTF Receipts and MMTOA Receipts), any money on deposit in that Account and any money received and held by MTA and required to be deposited in that Account, and
- all funds, accounts and subaccounts established by the DTF Resolution (except funds, accounts and subaccounts established pursuant to Supplemental Resolution, and excluded by such Supplemental Resolution from the Trust Estate as security for all DTF Bonds, in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

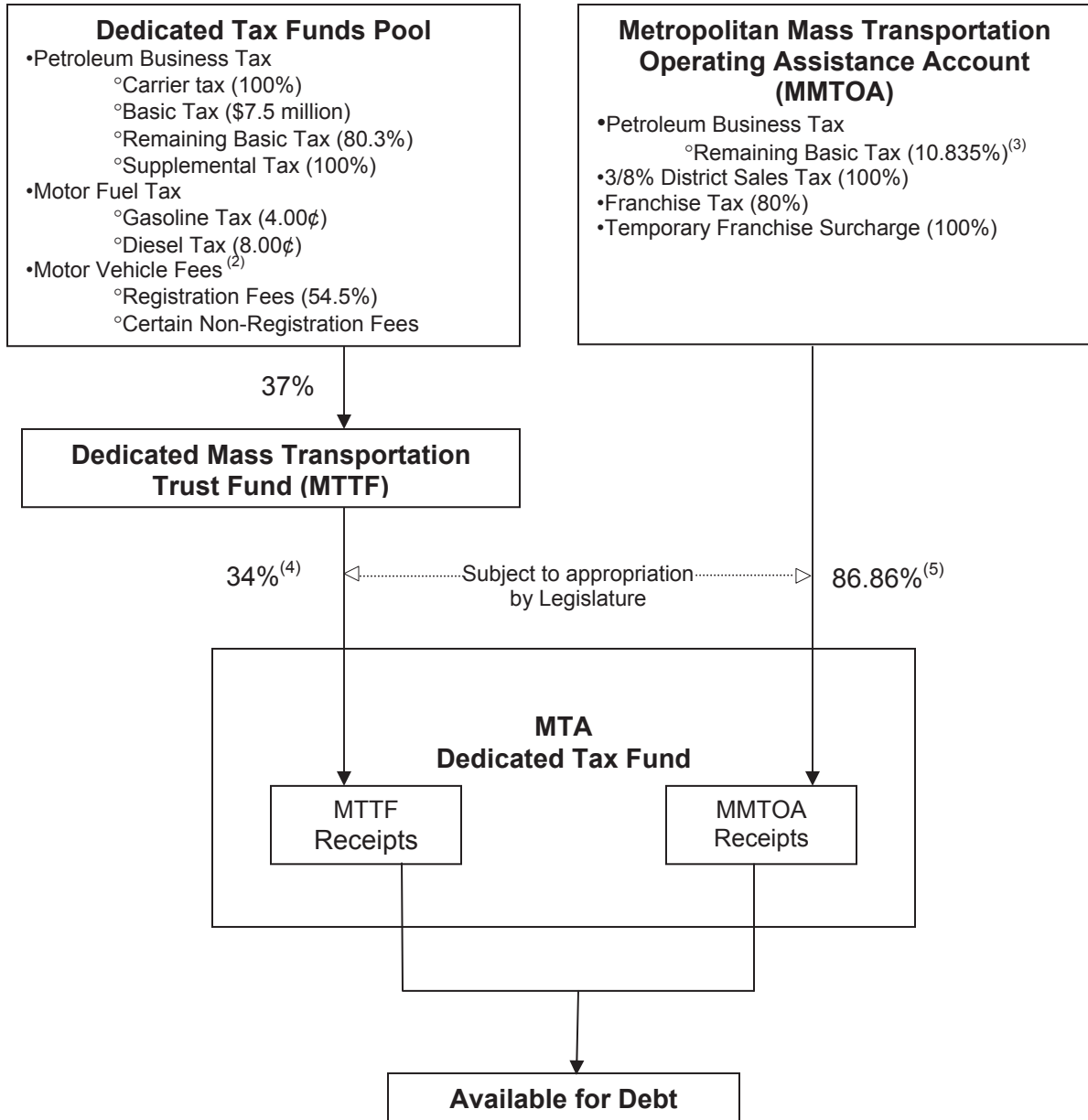
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and validly taken.

### **Flow of Funds**

The DTF Resolution establishes a Proceeds Fund held by MTA and a Debt Service Fund held by the Trustee. See "SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION" included herein by specific cross-reference for a description of the provisions of the DTF Resolution governing the deposits to and withdrawals from the Funds and Accounts. Amounts held by MTA or the Trustee in any of such Funds shall be held in trust separate and apart from all other funds and applied solely for the purposes specified in the DTF Resolution or any Supplemental Resolution thereto.

The following two charts summarize (i) the flow of taxes into the MTA Dedicated Tax Fund and (ii) the flow of MTA Dedicated Tax Fund Revenues through the MTA Dedicated Tax Fund and the Funds and Accounts established under the DTF Resolution.

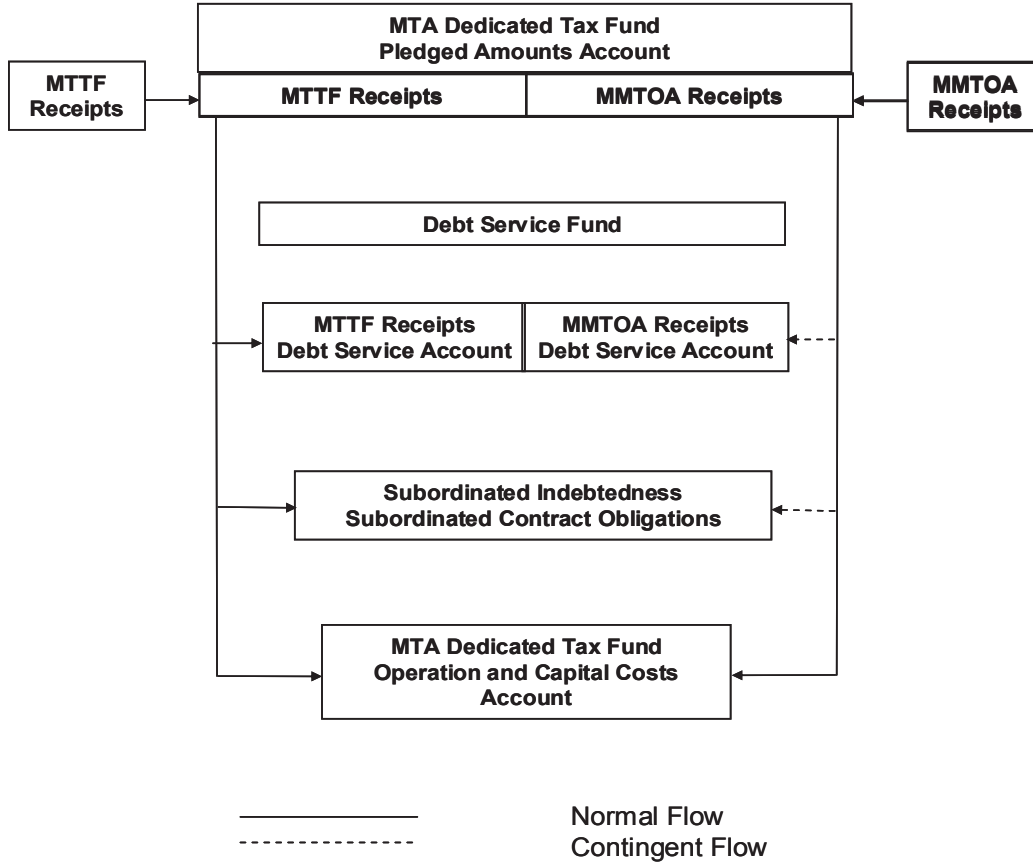
**MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE**  
(Through March 31, 2009)<sup>(1)</sup>



**Notes**

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ending March 31, 2009 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) Includes the additional Motor Vehicle Fees deposited into the Dedicated Funds Pool from time to time.
- (3) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in an account for certain upstate transportation entities.
- (4) Percentage of Dedicated Funds Pool.
- (5) Percentage based upon appropriations in the Enacted Budget for State Fiscal Year 2008-09.

**MTA DEDICATED TAX FUND BONDS – RESOLUTION FLOW OF FUNDS**



**All amounts on deposit in the Pledged Amounts Account – MTF Receipts Subaccount are paid out before any amounts on deposit in the Pledged Amounts Account – MMTOA Receipts Subaccount are paid out.**

**Amounts paid out from any fund or account for an authorized purpose (excluding transfers to any other pledged fund or account) are free and clear of the lien and pledge created by the DTF Resolution.**

## Debt Service Fund

Pursuant to the DTF Resolution, the Trustee holds the Debt Service Fund, consisting of the MTTF Receipts DS Account and the MMTOA Receipts DS Account. Moneys in the Debt Service Fund are applied by the Trustee to the payment of Debt Service on the Bonds in the manner, and from the accounts and subaccounts, more fully described under “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION – Debt Service Fund” included herein by specific cross-reference.

MTA is required to make monthly deposits to the appropriate account of the Debt Service Fund of interest (1/5th of the next semiannual payment) and principal (1/10th of the next annual payment), first from MTTF Receipts and then, to the extent of any deficiency, from MMTOA Receipts.

## Covenants

***Additional Bonds.*** The DTF Resolution permits MTA to issue additional Bonds from time to time to pay or provide for the payment of Capital Costs and to refund Outstanding Bonds.

Under the DTF Resolution, MTA may issue one or more Series of Bonds for the payment of Capital Costs, provided, in addition to satisfying certain other requirements, MTA delivers a certificate that evidences MTA’s compliance with the additional bonds test set forth in the DTF Resolution.

Such certificate must set forth:

- (A) for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate: (i) MTTF Receipts, (ii) MMTOA Receipts, and (iii) investment income received during such period on amounts on deposit in the Pledged Amounts Account, the MTTF Receipts Subaccount, the MMTOA Receipts Subaccount and the Debt Service Fund; and
- (B) the greatest amount for the then current or any future Debt Service Year of the sum of (a) Calculated Debt Service on all Outstanding Obligations, including the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations, but excluding any Obligations or Parity Debt to be refunded with the proceeds of such Refunding Obligations, plus (b) additional amounts, if any, payable with respect to Parity Debt;

and then state:

- (x) that the sum of the MTTF Receipts and investment income (other than investment income on the MMTOA Receipts Subaccount) set forth in clause (A) above is not less than 1.35 times the amount set forth in accordance with clause (B) above; and
- (y) that the sum of the MTTF Receipts, MMTOA Receipts and investment income set forth in clause (A) above is not less than 2.5 times the amount set forth in clause (B) above.

See “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Capital Cost Obligations” included herein by specific cross-reference for a description of further provisions which apply to the additional bonds test if the percentage of available existing taxes deposited into the MTA Dedicated Tax Fund is increased or additional taxes are added to the amounts so deposited.

For a discussion of the requirements relating to the issuance of Refunding Bonds, see “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Refunding Obligations” included herein by specific cross-reference.

## **Parity Debt**

MTA may incur Parity Debt pursuant to the terms of the DTF Resolution that, subject to certain exceptions, would be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the DTF Resolution with respect to Bonds. Parity Debt may be incurred in the form of a Parity Reimbursement Obligation, a Parity Swap Obligation or any other contract, agreement or other obligation of MTA designated as constituting "Parity Debt" in a certificate of an Authorized Officer delivered to the Trustee.

## **Appropriation by the Legislature**

The State Constitution provides that the State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the MTTF and MMTOA Account, to be approved by the State Legislature at least every two years. In addition, the State Finance Law provides, except as described below, that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30<sup>th</sup> or September 15<sup>th</sup>, depending upon the nature of the appropriation. The State Legislature may not be bound in advance to make any appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. MTA expects that the State Legislature will make appropriations from amounts on deposit in the MTTF and MMTOA Account in order to make payments when due.

The State Legislature has expressed its intent in the State Finance Law to enact for each State Fiscal Year in the future in an annual budget bill an appropriation from the MTTF (with respect to the PBT portion only) to the MTA Dedicated Tax Fund for the then current State Fiscal Year and an appropriation of the amounts projected by the Director of the Budget to be deposited in the MTA Dedicated Tax Fund from the MTTF (with respect to the PBT portion only) for the next succeeding State Fiscal Year. In any State Fiscal Year, if the Governor fails to submit or if the State Legislature fails to enact a current year appropriation from the MTTF (with respect to the PBT portion) to the MTA Dedicated Tax Fund, MTA is required to notify the State of amounts required to be disbursed from the appropriation made during the preceding State Fiscal Year for payment in the current State Fiscal Year. The Comptroller may not make any payments from the MTTF to the MTA Dedicated Tax Fund from such prior year appropriation prior to May 1st of the current State Fiscal Year. Until such time as payments pursuant to such appropriation are made in full, revenues in the MTTF shall not be paid over to any entity other than MTA.

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2008-09 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year that ends March 31, 2009 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2010. The appropriation for the 2008-09 State Fiscal Year took effect on April 1, 2008. MTA has periodically availed itself of such prior year's appropriation to meet operating costs in response to delays in the adoption of the State budget in such years.

A budgetary imbalance in the present or any future State Fiscal Year could affect the ability and willingness of the State Legislature to appropriate and the availability of moneys to make the payments from the MTTF and the MMTOA Account. However, MTA believes that any failure by the State Legislature to make appropriations as contemplated would have a serious impact on the ability of the State and its public benefit corporations to raise funds in the public credit markets.

## **Agreement of the State**

The MTA Act prohibits MTA from filing a petition in bankruptcy under Chapter 9 of the Federal Bankruptcy Code or such successor chapters or sections as may from time to time be in effect and the State has pledged that so long as any notes, bonds or lease obligations of the MTA are outstanding, it will not limit or alter the denial of authority to MTA to so file.

Under the MTA Act, the State pledges to and agrees with the holders of any notes, bonds or lease obligations issued or incurred by the MTA, including the Bonds, that the State will not limit or alter the rights vested in the MTA to fulfill the terms of any agreements made by the MTA with the holders of its notes, bonds and lease obligations, including the Bonds, or in any way impair the rights and remedies of such holders. Notwithstanding the foregoing, in accordance with State law, nothing in the DTF Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations which are the source of such Revenues. No default under the DTF Resolution would occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes or appropriations.

**[The remainder of this page is intentionally left blank.]**

### PART III. OTHER INFORMATION ABOUT THE SERIES 2008A BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2008A Bonds.

#### TAX MATTERS

Nixon Peabody LLP is Bond Counsel for the Series 2008A Bonds. Their opinion under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2008A 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 a corporation under the federal corporate alternative minimum tax.

Their opinion is also that under existing law interest on the Series 2008A 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 2008A Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2008A Bonds that MTA must continue to meet after the Series 2008A Bonds are issued. These requirements generally involve the way that Series 2008A Bond proceeds must be invested and ultimately used. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2008A 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 2008A 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 2008A Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

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 2008A Bonds or affect the market price of the Series 2008A Bonds. For example, the Internal Revenue Code could be changed. See also "Miscellaneous" below in this heading.

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 2008A Bonds or under State, local or foreign tax law.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on the Series 2008A Bonds. If the bondholder provides the entity from whom she receives interest payments (the “payor”) with a Form W-9, “Request for Taxpayer Identification Number and Certification”, or if the bondholder is one of a limited class of exempt recipients, including corporations, these requirements will be satisfied. Other bondholders will be subject to “backup withholding”; that is, the tax due from a bondholder with respect to any interest payment on the tax-exempt obligation will be deducted and withheld by the payor.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2008A Bonds under federal or state law and could affect the market price or marketability of the Series 2008A Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

## **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Series 2008A 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 2008A 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 MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to MTA, its affiliates or subsidiaries. MTA does not believe that any of these claims or actions would affect the application of the sources of payment for the Series 2008A Bonds. A summary of certain of these potentially material claims and actions is set forth in “Appendix A – THE RELATED ENTITIES – Litigation.”

## **FINANCIAL ADVISOR**

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2008A Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2008A 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 2008A Bonds.

## UNDERWRITING

The Underwriter for the Series 2008A Bonds has agreed, subject to certain conditions, to purchase from MTA the Series 2008A Bonds described on the cover page of this official statement at an aggregate purchase price of \$352,671,198.60, reflecting an Underwriter's discount of \$243,801.40, and to reoffer such Series 2008A Bonds at par.

The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all such Series 2008A Bonds if any Series 2008A Bonds are purchased.

## RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies that are expected to be assigned to the Series 2008A Bonds. Those 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	Standard & Poor's Ratings Services
One State Street Plaza	55 Water Street
New York, New York 10004	New York, New York 10041
(212) 908-0500	(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 will be passed upon by its General Counsel. In addition, certain legal matters will be passed upon by counsel to the Underwriter as indicated in the Summary of Terms.

## NO CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, does not require MTA to undertake to provide continuing disclosure during the period that the Series 2008A Bonds bear interest in the Weekly Mode.

**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 cross-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/ Gary Dellaverson  
Chief Financial Officer

## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2008A Bonds. The Series 2008A 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 2008A Bond will be issued for each maturity of the Series 2008A 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 2008A 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008A 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 2008A 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 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2008A 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 2008A 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 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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 2008A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008A Bond documents. For example, Beneficial Owners of the Series 2008A Bonds may wish to ascertain that the nominee holding the Series 2008A 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 2008A 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 2008A 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 2008A 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 2008A 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 2008A 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 2008A 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 2008A Bonds will be printed and delivered to DTC.

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

### DEFINITIONS

This Attachment 2 contains definitions of certain terms used in this official statement. Capitalized terms not otherwise defined in this official statement have the meanings set forth in the Summary of Certain Provisions of the DTF Resolution or the Definitions and Summary of Certain Provisions of the Standard Resolution Provisions that are included by specific cross-reference in this official statement.

**Alternate Liquidity Facility** means a Liquidity Facility that is issued in substitution for a then-existing Liquidity Facility in accordance with, and pursuant to, the DTF Resolution, as the same may be amended or supplemented from time to time.

**Auction Rate Mode** means the mode during which any Series 2008A Bonds bear interest at an auction rate.

**Authorized Denominations** means \$100,000 and any integral multiple of \$5,000 in excess thereof.

**Bank Bond** means any Series 2008A Bond during any period commencing on the day such Series 2008A Bond is owned by or held on behalf of the Liquidity Facility Issuer or its permitted assignee as a result of such Series 2008A Bond having been purchased pursuant to the DTF Resolution from the proceeds of a draw under the Liquidity Facility and ending when such Series 2008A Bond is, pursuant to the provisions of the Liquidity Facility, no longer deemed to be a Bank Bond.

**Business Day** means a day other than (i) a Saturday and Sunday, (ii) a day on which the Trustee, the Tender Agent, the Remarketing Agent, the Insurer, the Liquidity Facility Issuer or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

**Commercial Paper Mode** means the mode during which Series 2008A Bonds bear interest at a commercial paper rate or rates.

**Daily Mode** means the mode during which Series 2008A Bonds bear interest at a daily rate.

**DTC** means The Depository Trust Company, New York, New York, or its successors.

**Electronic Means** means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

**Expiration Date** means the stated expiration date of the Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Series 2008A Bonds bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

**Favorable Opinion of Bond Counsel** means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel's Opinion to the effect that such action is permitted under the Issuer Act and the DTF Resolution and that such action will not impair the exclusion of interest on such Series 2008A Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Series 2008A Bonds).

**Fixed Rate Mode** means the mode during which Series 2008A Bonds bear interest at a fixed rate until their maturity date.

**Interest Payment Date** means the first Business Day of each calendar month.

**Interest Rate Period** means the period of time that any interest rate remains in effect, which period shall be the period from and including the date of the delivery of the Series 2008A Bonds to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the maturity date.

**Liquidity Facility** means any Credit Facility which is obtained by MTA pursuant to the DTF Resolution and that provides for the payment of the Purchase Price of Series 2008A Bonds tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time. Each Initial Liquidity Facility constitutes a Liquidity Facility.

**Liquidity Facility Issuer** means the issuer of a Liquidity Facility.

**Mandatory Purchase Date** means (i) any Mode Change Date, (ii) the Substitution Date, (iii) the Expiration Tender Date and (iv) the Termination Tender Date.

**Mode** means the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode.

**Mode Change Date** means the date one Mode terminates and another Mode begins.

**Notice Parties** means MTA, the Trustee, the Remarketing Agent, the Tender Agent, the Insurer and the Liquidity Facility Issuer.

**Purchase Date** means any Business Day upon which a Series 2008A Bond is optionally tendered for purchase by its holder in accordance with the DTF Resolution.

**Record Date** means the opening of business on the Business Day next preceding an Interest Payment Date.

**Remarketing Agent** means Citigroup Global Markets Inc., or any successor Remarketing Agent.

**Remarketing Agreement** means the remarketing agreement entered into by and between MTA and the Remarketing Agent with respect to the Series 2008A Bonds pursuant to which the Remarketing Agent has agreed to remarket the Series 2008A Bonds on the Purchase Date or the Mandatory Purchase Date at a price of not less than 100% of the principal amount thereof and which shall be in a form reasonably acceptable to the Credit Facility Provider.

**Tender Agent** means The Bank of New York or any successor Tender Agent.

**Term Rate Mode** means the mode during which Series 2008A Bonds bear interest at a fixed rate until the next mandatory purchase date.

**Termination Date** means, with respect to a Liquidity Facility, (i) the date on which such Liquidity Facility shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date or (ii) the date on which the obligation of the Liquidity Facility Issuer to provide a loan shall terminate; provided, however, that "Termination Date" shall not mean any date upon which a Liquidity Facility is no longer effective by reason of its Expiration Date.

**Trustee** means The Bank of New York or any successor Trustee.

## ATTACHMENT 3

### FORM OF OPINION OF BOND COUNSEL

**Upon delivery of the Series 2008A Bonds in definitive form, Nixon Peabody 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 copy of the record of proceedings of the Metropolitan Transportation Authority (“MTA”) and other proofs submitted to us relative to the issuance of \$\_\_\_\_\_ aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A (the “Series 2008A Bonds”).

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

The Series 2008A Bonds are issued under and pursuant to the Constitution and statutes of the State of New York (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 “Dedicated Tax Fund Obligation Resolution”, as supplemented by a resolution of said members adopted on January 30, 2008 as amended and restated by a resolution of said members adopted on April 30, 2008 (collectively, the “Resolution”).

The Series 2008A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in 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 2008A Bonds in order that interest on the Series 2008A Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 of MTA, dated the date hereof (the “Tax Certificate”), in which 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 2008A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2008A Bonds and the investment of certain funds. The Tax Certificate obligates MTA to take certain actions necessary to cause interest on the Series 2008A Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2008A 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. MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2008A 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 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 of interest on the Series 2008A Bonds from gross income for federal income tax purposes under Section 103 of the Code and compliance by MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have also examined one of said Series 2008A Bonds as executed and, in our opinion, the form of said Series 2008A 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.

3. The Series 2008A 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 2008A 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 2008A Bonds.

4. MTA, the holders of the Series 2008A Bonds, or the holders of any evidence of indebtedness of 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 2008A 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 2008A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2008A 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 2008A 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 2008A 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 2008A 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 2008A 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,

**THIS PAGE INTENTIONALLY LEFT BLANK**

**ATTACHMENT 4**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**THIS PAGE INTENTIONALLY LEFT BLANK**



**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
31 West 52<sup>nd</sup> Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

## ATTACHMENT 5

### INITIAL LIQUIDITY FACILITY ISSUER

*The following information has been provided by Dexia Crédit Local for use in this official statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the MTA, the Underwriter or any of their counsel. This information has not been independently verified by the MTA, the Underwriter or any of their counsel. No representation is made by the MTA, the Underwriter or any of their counsel as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

#### ***Dexia Crédit Local***

Dexia Crédit Local (“Dexia”) is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 20 billion euros as of December 31, 2007, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group’s first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in La Défense, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia. Dexia is the leading local authority lender in Europe, funding its lending activities in 2007 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2007, total funding raised by Dexia and Dexia Municipal Agency was 18.2 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2007, Dexia had total consolidated assets of 345 billion euros, outstanding medium and long-term loans to customers of 285.1 billion euros and shareholders’ equity of over 6.29 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 991 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2007, the exchange rate was 1.0000 euro equals 1.4721 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Crédit Local, New York Branch, 445 Park Avenue, 8<sup>th</sup> Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

**THIS PAGE INTENTIONALLY LEFT BLANK**





Printed on Recycled Paper  
IMAGEMASTER 800.452.5152