



\$656,975,000
METROPOLITAN TRANSPORTATION AUTHORITY
TRANSPORTATION REVENUE BONDS

\$607,830,000
Series 2010B-1

\$49,145,000
Series 2010B-2

(Federally Taxable – Issuer Subsidy – Build America Bonds)

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2010B-1 Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) (the Series 2010B-1 Bonds) and the Series 2010B-2 Bonds (the Series 2010B-2 Bonds, and, together with the Series 2010B-1 Bonds, the Series 2010B Bonds) are being issued to finance transit and commuter projects.

The Series 2010B Bonds—

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

MTA has no taxing power.

Interest on the Series 2010B-1 Bonds is not excluded from gross income for Federal income tax purposes nor are the owners thereof entitled to any credit under Section 54AA of the Internal Revenue Code.

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 2010B-2 Bonds is:

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

Also in Bond Counsel’s opinion, under existing law, interest on the Series 2010B Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York.

The Series 2010B Bonds are subject to redemption prior to maturity as described herein.

The Series 2010B Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through the facilities of the Depository Trust Company, on or about February 11, 2010.

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 2010B Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

Barclays Capital
Citi

BofA Merrill Lynch
Morgan Stanley
Raymond James & Associates, Inc.

Jefferies & Company
M.R. Beal & Company
RBC Capital Markets
Wells Fargo Securities

Siebert Brandford Shank & Co., LLC
J.P. Morgan

Loop Capital Markets, LLC
Ramirez & Co., Inc.
Roosevelt & Cross Incorporated

\$656,975,000
Metropolitan Transportation Authority
Transportation Revenue Bonds

\$607,830,000
Series 2010B-1
(Federally Taxable – Issuer Subsidy – Build America Bonds)

\$106,790,000 Serial Bonds

Maturity (November 15)	Principal Amount	Interest Rate	Price	CUSIP Number (59259Y)[†]
2018	\$ 9,435,000	5.204%	100%	CE7
2019	12,015,000	5.304	100	CF4
2020	12,435,000	5.404	100	CG2
2021	12,870,000	5.554	100	CH0
2022	13,345,000	5.654	100	CB3
2023	31,905,000	5.754	100	CC1
2024	14,785,000	5.854	100	CD9

\$501,040,000 Term Bonds

\$250,000,000 6.548% Series 2010B-1 Term Bonds due November 15, 2031, Price 100%
CUSIP Number 59259Y CA5[†]

\$251,040,000 6.648% Series 2010B-1 Term Bonds due November 15, 2039, Price 100%
CUSIP Number 59259Y BZ1[†]

\$49,145,000
Series 2010B-2

Maturity (November 15)	Principal Amount	Interest Rate	Yield	CUSIP Number (59259Y)[†]
2011	\$5,000,000	2.500%	1.060%	CJ6
2012	5,000,000	3.000	1.410	CK3
2013	2,000,000	3.000	1.800	CL1
2013	3,000,000	4.000	1.800	CR8
2014	2,000,000	3.000	2.270	CM9
2014	6,030,000	4.000	2.270	CS6
2015	2,000,000	3.000	2.730	CN7
2015	6,325,000	5.000	2.730	CT4
2016	3,000,000	3.000	3.110	CP2
2016	5,705,000	5.000	3.110	CU1
2017	3,000,000	4.000	3.350	CQ0
2017	6,085,000	5.000	3.350	CV9

[†] CUSIP numbers have been assigned by an organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2010B Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2010B Bonds or as indicated above.

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New York, New York 10017
(212) 878-7000
Website: www.mta.info

Jay H. WalderChairman and Chief Executive Officer
Andrew M. Saul Vice-Chairman
John H. Banks III..... Member
Robert C. Bickford Member
Allen P. Cappelli Member
Donald Cecil..... Member
Doreen M. Frasca Member
Jeffrey A. Kay Member
Mark D. Lebow Member
Susan G. Metzger Member
Mark Page Member
Mitchell H. Pally Member
Norman I. Seabrook..... Member
James L. Sedore, Jr..... Member
Nancy Shevell..... Member
Carl V. Wortendyke..... Member

David Moretti Acting Chief Financial Officer
Charles Monheim Chief Operating Officer
James B. Henly, Esq. General Counsel
Patrick J. McCoy Director, Finance

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 2010B Bonds. The information in this official statement, including the materials filed with the Electronic Municipal Market Access Systems of the Municipal Securities Rulemaking Board and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.	
Bonds Being Offered	Transportation Revenue Bonds, Series 2010B-1 (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2010B-2.	
Purpose of Issue.....	The Series 2010B Bonds are being issued to finance transit and commuter projects.	
Maturities and Rates	See inside cover.	
Denominations.....	\$5,000 and whole multiples of \$5,000.	
Interest Payment Dates	May 15 and November 15, commencing May 15, 2010.	
Redemption.....	See “DESCRIPTION OF SERIES 2010B BONDS – Redemption Prior to Maturity” in Part I.	
Sources of Payment and Security	MTA’s pledged transportation revenues from Transit and Commuter System operations, MTA Bus operations, MTA Bridges and Tunnels operating surplus, subsidies from State and local governmental entities and certain other sources, all as described in Part II.	
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.	
Trustee	The Bank of New York Mellon, New York, New York.	
Bond Counsel	Nixon Peabody LLP, New York, New York.	
Tax Status	See “TAX MATTERS” in Part III.	
Ratings	<u>Rating Agency</u>	<u>Rating</u>
	Moody’s:	A3 (Stable Outlook)
	Standard & Poor’s:	A (Stable Outlook)
	Fitch:	A (Negative Outlook)
	See “RATINGS” in Part III.	
Financial Advisor	Goldman, Sachs & Co.	
Underwriters	See cover page. Barclays Capital Inc. is the representative of the Underwriters for the Series 2010B Bonds.	
Underwriters’ Discount	See “UNDERWRITING” in Part III.	
Counsel to the Underwriters	Clifford Chance US LLP, New York, New York.	

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2010B 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 2010B 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 2010B 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 appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with, the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.
 - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.
 - ***Overallotment and Stabilization.*** The Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2010B Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.

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Information Included by Specific Cross-reference. The following portions of MTA’s 2009 Combined Continuing Disclosure Filings, filed with the Electronic Municipal Market Access System (EMMA) of the Municipal Securities Rulemaking Board (MSRB), are included by specific cross-reference in this official statement, along with material that updates this official statement and that is filed with EMMA prior to the delivery date of the Series 2010B Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities (in the form filed with EMMA on June 25, 2009)
- **Appendix B** – Audited Consolidated Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2008 and 2007
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2008 and 2007

The following documents have also been filed with EMMA and are included by specific cross-reference in this official statement:

- MTA’s Unaudited Consolidated Financial Statements for the nine-month period ended September 30, 2009
- Summary of Certain Provisions of the Transportation Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- Form of the Interagency Agreement

For convenience, copies of these documents can be found on the MTA website (www.mta.info) under the caption “MTA Home–About the MTA–Financial Information–Budget” in the case of MTA’s Unaudited Consolidated Financial Statements for the nine-month period ended September 30, 2009 and under the caption “MTA Home–About the MTA–Financial Information–Investor Information” in the case of the remaining documents. No statement on the MTA’s website is included by specific cross-reference herein. See “FURTHER INFORMATION” in Part III. Definitions of certain terms used in the summaries may differ from terms used in this official statement, such as the use herein of the popular names of the MTA affiliates and subsidiaries.

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INTRODUCTION

MTA 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 2009 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**.

Information Provided in Appendix A

From time to time, the Governor, the State Comptroller, the City Comptroller, County Executives, State legislators, City Council members and other persons or groups may make public statements, issue reports, institute proceedings or take actions that contain predictions, projections or other information relating to the Related Entities or their financial condition, including potential operating results for the current fiscal year and projected baseline surpluses or gaps for future years, that may vary materially from, question or challenge the information provided in **Appendix A**. Investors and other market participants should, however, refer to MTA's then current continuing disclosure filings and official statements for information regarding the Related Entities and their financial condition.

Where to Find Information

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

- **Part I** provides specific information about the Series 2010B Bonds.
- **Part II** describes the sources of payment and security for all Transportation Revenue Bonds, including the Series 2010B Bonds.
- **Part III** provides miscellaneous information relating to the Series 2010B Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2010B Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2010B Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2010B Bonds.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the MSRB and from MTA.

Information from the MSRB through EMMA. MTA, until July 1, 2009, filed annual and other information with each former Nationally Recognized Municipal Securities Information Repository. MTA has commenced filing and will in the future file annual and other information with EMMA.

Information on file with EMMA can be accessed at <http://emma.msrb.org/>.

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 MSRB through EMMA 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 2010B Bonds.**

Information Available at No Cost. Information filed with the MSRB through EMMA 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

The December Financial Plan. On December 16, 2009, the Board approved the December Financial Plan 2010-2013 and 2010 Budget (the December Plan), which was derived from the November Financial Plan 2010-2013 and 2010 Budget (the November Plan). The November Plan had projected a net cash surplus of \$28 million in 2009 and \$5 million in 2010, while projecting cash deficits of \$34 million, \$319 million and \$58 million for 2011, 2012 and 2013, respectively. The December Plan made significant changes to the November Plan based upon several unfavorable developments arising subsequent to issuance of the November Plan:

First, as part of the State's deficit reduction plan, the State Legislature reduced its prior appropriations to the MTA for 2009 by \$143 million, principally represented by Metropolitan Mass Transportation Operating Assistance (MMTOA) amounts. This was the first time that an existing appropriation to MTA has been reduced under circumstances in which the money was derived from a "dedicated" MTA tax and had already been collected by the State. Because of the way that funds flow from the State to the MTA, this entire reduction occurred in December of 2009. In addition, the State projected reduced MMTOA collections of \$49 million in 2010 and \$74 million in future years.

Second, receipts from the recently enacted Regional Mobility Tax were significantly under-running projections. The Regional Mobility Tax and other new revenues preliminarily had been projected to provide an additional \$1.1 billion to MTA for calendar year 2009 and an additional \$1.9 billion to MTA in calendar year 2010. In December 2009, the State projected an estimated reduction of \$229 million in Regional Mobility Tax revenue for calendar year 2009, with the State Division of Budget advising MTA that it believed that a significant portion of the shortfall (\$179 million) was the result of timing and was expected to be made up in 2010. The State Division of Budget also projected lower Regional Mobility Tax receipts of \$50 million a year starting in 2010.

Over the 2009-2010 period, the combined losses from the above-noted subsequent developments totaled approximately \$300 million, with most coming in 2009.

Third, on December 11, 2009, an unfavorable ruling was issued in the legal proceeding in which MTA had challenged the August TWU Local 100 arbitration award (the Award). The court denied the petition to vacate the Award and granted the TWU Local 100 petition for award confirmation. The Award provided for wage increases that approximate 4% in 2009, 4% in 2010, and 3% in 2011. The Award also granted a reduction in the amount of the employee health benefit contribution, raising the total value of the award to approximately 11.5% over three years. Preliminary estimates indicated that the Award would cost the MTA approximately \$90 million in 2010, \$200 million in 2011 and \$250 million in 2012 and beyond, above the amounts already included in the July Plan. The November Plan contained a one-time contingency of \$85 million to partially offset this and other financial risks. In January, the MTA filed a notice of appeal of the lower court's confirmation of the Award with respect to two components - the 3% increase awarded in 2011 and the change in employee health benefit contributions. As described further below, given the unfavorable lower court ruling issued on December 11, 2009, the 2010 Budget and the 2010-2013 Financial Plan reserve funds against the wage amounts set forth in the Award.

Partially mitigating these losses in the short term were lower estimated debt service costs (\$56 million) and the favorable timing of certain expenses of MTA. 2009 cash expenditures were projected to be lower than the November Plan by \$106 million. However, much of the reason for that was the result of timing, including the delay of the TWU Award. The net impact of these 2009 results was expected to be \$35 million when compared with the November Plan.

The Board-approved December Plan addressed the above-noted developments by a number of measures as described below. Through cash management actions, including delaying pension payments and the above-mentioned timing variances, the MTA satisfied its 2009 cash obligations, rolling this problem into 2010. As a result of these actions and MTA re-estimates, the December Plan assumed that 2009 would end with a \$31 million cash balance. The 2010 Budget which is part of the December Plan includes service reductions and other reductions to balance the 2010 Budget and end 2010 with a \$2 million cash balance. The out-years of the December Plan project a cash balance of \$1 million in 2011, a deficit of \$188 million in 2012, and a cash balance of \$65 million in 2013.

The December Plan adopted by the Board identified significant additional cost-cutting measures beginning in 2010 to solve the larger long-term problem, some of which will require public hearings and additional Board actions. The MTA will continue to evaluate the actions proposed in the December Plan and, as part of such evaluation, anticipates consideration will be given to additional or alternative cost saving measures, which may include actions already proposed or which may be proposed by individual members of the Board, by various elected officials and by other interested persons or groups. MTA is prepared to take the needed actions in order to maintain a balanced budget.

Policy Actions in the December Plan. The December Plan, as approved by the Board, included a number of Policy Actions.

- *Special Labor Reserve* – MTA established a reserve in 2010 to mitigate significant financial risks from labor costs. Given the court ruling noted above that was issued on December 11, 2009, the December Plan reserves funds against the wage amounts set forth in the TWU Award. The reserve will be used to supplement funding already provided in the budgets of the Related Entities, including MTA New York City Transit, and will be distributed as labor settlements are reached. The reserve will be established at \$91 million in 2010, \$173 million in 2011, \$190 million in 2012 and \$196 million in 2013. The \$85 million economic volatility reserve and the remaining \$28 million 2009 general reserve that were part of the November Plan have been removed from the December Plan. (The remaining reserve in the November Plan was \$38 million; however, real estate taxes were projected to decrease by an additional \$10 million by year end, reducing such reserve.)
- *Pay-As-You-Go Capital* - The approved 2010 Budget included in the December Plan continues to assume that a portion of the new tax revenues authorized in May 2009 will be contributed to the capital program in the form of “pay-as-you-go capital”. These payments are planned at \$50 million in 2010. In 2011 and beyond these payments will ramp up in \$50 million increments until the annual contribution achieves \$450 million in 2018. This level of contribution will be necessary to support the first two years of necessary local funding of the proposed 2010-2014 capital programs, including support for “mega” projects like East Side Access and the Second Avenue Subway.
- *MTA Bridges and Tunnels Holdback* - The December Plan assumes that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) will be used to fund new MTA Bridges and Tunnels capital projects through pay-as-you-go funding and additional debt service.

Gap Closing/Cash Management Measures Incorporated from the November Plan. The approved December Plan includes a number of Gap Closing/Cash Management Actions previously included in the November Plan:

- *2010 Program to Eliminate the Gap* - The 2010 Program to Eliminate the Gap (PEG) consists of savings of \$23 million and 118 positions in 2009, \$72 million and 375 positions in 2010, \$71 million and 356 positions in 2011, \$72 million and 347 positions in 2012, and \$75 million and 390 positions in 2013.
- *Post-2010 Program to Eliminate the Gap* – The MTA and the Related Entities will identify PEGs beginning in 2011 during next year’s budget cycle. The value of these “unspecified” PEGs is \$90 million in 2011, \$188 million in 2012, and \$280 million in 2013.
- *Non-Represented Employee Wage Freeze in 2009* – Non-represented employees will not receive a cost of living raise in 2009.
- *Federal Legislative Actions* - The MTA is proposing changes in federal legislation that would eliminate certain federal mandates for commuter rail employees without impacting employee benefits. As in the November Plan, the assumed initiation of these changes is delayed until the third quarter of 2010.

- *2011 Increased Fare and Toll Yields* – A 7.5% increase in MTA consolidated farebox and toll revenue yields beginning January 1, 2011 is proposed. Consolidated fare and toll revenues, excluding MTA Bus revenue, are expected to increase by \$408 million in 2011, \$425 million in 2012 and \$429 million in 2013. MTA Bus revenue is expected to increase by \$12 million in 2011 and by \$13 million in 2012 and 2013. These additional MTA Bus revenues will be used to reduce the City subsidy used to cover the costs associated with MTA Bus operations. The projections from this action are slightly improved from the estimates prepared for the July Plan due to higher baseline farebox and toll revenue forecasts.
- *2013 Increased Fare and Toll Yields* – A 7.5% consolidated farebox and toll revenue yield increase is also proposed for implementation on January 1, 2013, and is estimated to yield an additional \$449 million in 2013, excluding yield increases for MTA Bus. The 7.5% farebox yield increase at MTA Bus is expected to generate additional revenue of \$14 million in 2013, and will be used to reduce the City subsidy to MTA Bus.
- *Forward Energy Contracts* – An energy hedging strategy has been employed to lock in fuel prices for 2010. MTA set-aside \$73 million in 2009 which was used to lock in pricing for approximately one-half of its fuel budget for 2010. In addition, the December Plan assumes that in 2010, the MTA will set-aside \$82 million to lock in one-half of its expected 2011 fuel requirement.

Additional Gap Closing/Cash Management Measures included in December Plan. The Board also adopted the additional actions described below as part of the December Plan:

- *Additional Actions for Budget Balance* – When the State Legislature approved the Regional Mobility Taxes in May of 2009, the MTA was able to lower the budgeted fare/toll increase and eliminate those Additional Actions for Budget Balance (AABB) that directly impacted scheduled service to the public. Recent negative financial developments, however, have altered the MTA's financial picture, and the MTA's December Plan includes measures that it was able to avoid in 2009. These AABBs include most of the items that were restored last May. Major service changes that are being proposed in furtherance of the AABB budgetary savings identified in the December Plan are being noticed for public hearing and will require further Board action prior to implementation. Cost savings to be achieved through the AABB measures are valued in the 2010 Budget at \$62 million in 2010 and \$129 million each year thereafter. In addition to these service items, the AABB Gap Closing actions include the elimination of the Rockaway/Broad Channel residents' rebate program.
- *Administrative Savings* – The MTA will take additional administrative savings beyond those taken in PEGs and AABB savings projections and projected savings relating to the proposed business service center. Efforts are being undertaken at the direction of the Chairman to uncover permanent savings in various administrative areas including purchases, professional services and labor. These savings programs are expected to yield \$49 million in 2010 and \$65 million each year thereafter, and may include furloughs and an increase in the length of the pay-lag for non-represented employees.
- *Student Fare* – Prior to 1994, the City and the State paid the entire costs of the program to fund free or half-price student fares. In 1995, an agreement was made between the City, the State and the MTA to divide these costs equally. Over time, MTA costs increased but reimbursements from the State and the City did not. In November of 2009, the State dramatically reduced its school fare reimbursement from \$25 million to only \$6 million. The MTA can no longer afford to subsidize this free service and, therefore, is proposing a roll back of the discount for school transportation. The December Plan assumes that one half of the current discount will be eliminated in September of 2010 and the remaining half discount will be discontinued in September of 2011. The December Plan projects this would save \$31 million in 2010 and \$62 million in 2011, with savings annualizing to \$170 million in 2012 and beyond.

- *Paratransit Savings* – Paratransit costs at the MTA are rising at an extraordinary rate and the level of contribution from MTA’s funding partners has not come close to keeping up. The MTA is looking at ways that it can save costs without jeopardizing its ability to deliver these necessary services consistent with legal requirements. The December Plan anticipates savings of \$40 million can be achieved in 2010 with annual savings of \$80 million each year thereafter. Sources of savings that are anticipated include: improvements in scheduling efficiency, an increase in the use of vouchers and taxis, better coordination of feeder service with accessible fixed route service, improved eligibility screening, and the elimination of the most expensive carriers.
- *Delay 2009 Pension Payment* – To assist short-term cash flow, the MTA delayed the scheduled payments of \$125 million in pension payments from 2009 to 2010.

Other Actions in the December Plan. The Board also approved additional budget and cash management actions, all of which, other than those relating to the new State taxes, have been done in past budget adoptions, including those described below:

- *General Reserve* – The Board authorized the Chairman to allocate these reserves in order to cover contingencies as may become necessary in order to ensure the continued operations of MTA Headquarters and the operating agencies. Such expenditures shall be funded from the MTA Corporate Account (MRT-2), and/or Regional Mobility Taxes, and/or other new taxes legislated in 2009.
- *Advance of Bridges and Tunnels Operating Surplus* – As has been done on previous occasions, the Board authorized MTA Bridges and Tunnels to advance to MTA and MTA New York City Transit, to the extent funds are available, all or a part of the estimated operating surplus for the year 2010, when and as directed by the Chairman.
- *Inter-Agency Loans* – The Board authorized the Chairman, as permitted under the Public Authorities Law, to enter into inter-agency loan agreements among the MTA and the Related Entities. This authorization would allow the temporary movement of funds among agencies to meet cash flow requirements for operating or capital purposes resulting from a mismatch between the receipt of subsidies and other monies and cash flow needs. The statute requires that any such inter-agency loans be repaid no later than the end of the next succeeding calendar year.
- *Advance of MTA (Mortgage Recording Tax #2) Corporate Account Monies* – The Board authorized that these funds be used to support the MTA Police, the All-Agency Security Pool, other MTA Headquarters operations, the funding of MTA reserves, and MTA Bus capital projects and to temporarily help stabilize cash-flow requirements. As in the past, except in the case of MTA Bus capital projects, the advance of such funds to the MTA and the Related Entities to stabilize cash-flow requirements may be made, provided that such advances are repaid prior to the end of the fiscal year in which made.
- *Advance of Regional Mobility Taxes and Other New Taxes* – The revenues from the Regional Mobility Tax (the Regional Mobility Tax Revenues) can be: (i) pledged by MTA to secure and be applied to the payment of bonds to be issued in the future to fund capital projects of MTA, its subsidiaries, and MTA New York City Transit and its subsidiary and (ii) used by MTA to pay capital costs, including debt service of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. Subject to the provisions of any such pledge, or in the event there is no such pledge, the Regional Mobility Tax Revenues can be used by MTA to pay for costs, including operating costs of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. The Board authorized the Chairman to release these funds as needed in any of the areas described above.
- *Government Accounting Standards Board (GASB) Contributions* – In June 2008, the MTA approved the establishment of the “MTA Retiree Welfare Benefits Trust” to govern the administration and investment of the OPEB trust assets. Pending transfer to the “Trust” the Treasurer holds the 2006 through 2009 funds set aside in discrete sub-accounts that comprise the

GASB Account. MTA and the Related Entities will make contributions of \$62 million as set forth in the 2010 Budget to the GASB Account in 2010 (with additional contributions in the out years of the December Plan). The Treasurer is authorized to use the GASB accounts to fund intra-agency loans as well as inter-agency loans. If an agency uses its own "GASB" funds to meet 2010 cash flow needs, the amounts withdrawn in 2010 must be paid back by December 31, 2012. If the GASB funds are used as inter-agency loans in 2010, they would be subject to repayment no later than December 31, 2011, consistent with the inter-agency loan provisions described above.

Subsequent Developments. In early January, the State released its 2010-11 Executive Budget which, if enacted, would reduce total MTA State subsidies for 2010 by \$104 million from the levels assumed in the MTA December Plan. Most of the unfavorable changes are the result of the downward reforecast of State dedicated taxes, namely MMTOA, petroleum business taxes (PBT) and Regional Mobility Taxes. Partially offsetting those anticipated reductions are modest favorable changes in proposed AMTAP (Additional Mass Transit Assistance Program) payments to MTA Long Island Bus and school fare reimbursement to MTA New York City Transit. The proposed increase in school fare reimbursement contained in the Executive Budget would increase funding to \$25 million, still below the previous \$45 million contribution by the State and well below the \$214 million per year cost of school fares.

In January, the MTA proposed revisions to many of the proposed Additional Actions for Budget Balance (AABBs) that were included in the December Plan to minimize the negative impact to riders. Budgeted AABB savings are not expected to change significantly from the December Plan. Major service changes, as well as the proposals regarding discontinuances of student fare discounts and the Rockaway/Broad Channel residents' rebate program, are being noticed for public hearing and will require further Board action prior to implementation. The public hearings are scheduled for early March 2010.

On January 15, 2010, MTA released "Making Every Dollar Count," a report of Chairman and CEO Jay H. Walder's first 100 days on the job that includes an assessment of the MTA and plans for improvement. The report recognizes the enormous improvement in the MTA's transportation network over the past 25 years, but acknowledges that in many areas the MTA has fallen behind comparable transit systems around the world. The report identifies two main goals: to overhaul the way the MTA does business to cut costs and ensure that every dollar is being used as effectively as possible; and to find affordable ways to make progress on service improvements despite a difficult budget environment.

On January 27, 2010, the Board approved the issuance of \$700 of million Revenue Anticipation Notes to finance, on a short term basis, the operating needs of the transit and commuter systems in anticipation of State subsidies to be received later in the year. These notes will mature and be paid off by the end of the year and therefore will be used only to address a timing mismatch between expenses and revenues.

Based upon discussions MTA has had with the State Division of Budget, MTA anticipates that the amounts to be received by MTA from the Regional Mobility Tax in 2010 and thereafter will be lower than the levels assumed in the December Plan and anticipates that it may need to reduce the estimated receipts included in the December Plan by approximately \$350 million for 2010 (which includes approximately \$179 million representing a previously assumed timing difference in collections originally expected to be received in 2009) and by up to \$200 million a year thereafter. The 21-Day Amendments to the 2010-11 New York State Executive Budget are expected to be released on February 9, 2010, and no assurance can be given that amounts of the Regional Mobility Tax in the 21-Day Amendments when released may not differ substantially from the anticipated amounts noted above. The MTA is considering a variety of cost saving and other measures in addition to those proposed in the December Plan to deal with the anticipated additional revenue shortfalls in its operating budget. MTA remains prepared to take needed actions in order to maintain a balanced budget. MTA expects to release its updated financial plan in February 2010, as expected.

Total Transportation Resolution Pledged Revenues in the 2010 Final Proposed Budget reflected in Table 3 are \$10.039 billion. If the above described \$350 million revenue shortfall were to materialize in 2010 along with an additional reduction of \$41 million in State subsidies (which represents the portion of the previously disclosed \$104 million reduction in State subsidies included in the 2010-2011 Executive Budget not attributable to the Regional Mobility Tax) Pledged Revenues would be reduced to \$9.648 billion, assuming all other revenue assumptions

contained in the December Plan remain unchanged. This level of 2010 Pledged Revenues would still remain substantially in excess of the \$920 million in Transportation Resolution Debt Service budgeted for 2010.

MTA Capital Programs. Section 1269(b) of the Public Authorities Law requires MTA to submit capital plans to the MTA Capital Program Review Board (the Review Board). The MTA Board, at its meeting of September 23, 2009, reviewed and authorized for submission to the Review Board a five-year Proposed MTA Capital Programs (Programs) for the Transit and Commuter Systems for the 2010-2014 period, totaling approximately \$25.6 billion; the Programs were submitted to the Review Board for its review in October 2009 as required by law. Included in the Programs were approximately \$19.8 billion for core investments for the ongoing replacement needs of the existing Transit and Commuter Systems and MTA Bus and \$5.7 billion to finance a portion of the costs of the East Side Access and the Second Avenue Subway. The Programs included \$15.7 billion of identified funding - including \$6 billion of new bonding authorized by the May Legislation - leaving a \$10 billion funding gap. The new bonding, in combination with other identified revenues, would provide for two years of program funding. The submitted Programs were vetoed without prejudice by the Review Board on December 30, 2009 allowing the State Legislature to review funding issues in their 2010 session. MTA will be prepared to resubmit the Programs at the appropriate time before the end of the legislative session. No assurance can be given that such resubmitted Programs will not include substantial revisions from those previously submitted.

MTA Bridges and Tunnels Capital Program. In September 2009, the Board of MTA Bridges and Tunnels approved a Capital Program for the 2010-2014 period which provides for commitments of approximately \$2.5 billion designed to keep its facilities in good operating condition. Such Program represents a substantial increase over the \$1.2 billion in commitments included in the 2005-2009 MTA Bridges and Tunnels Capital Program. MTA Bridges and Tunnels Capital Programs are not subject to approval by the Review Board.

MTA Board Changes. On January 1, 2010, pursuant to chapter 549 of the Laws of 1994 (as amended by chapter 415 of the Laws of 2007), the provision in the Public Authorities Law that added non-voting board members to the MTA Board expired. As of January 1, 2010, the MTA Board consists of the chairman and the sixteen other voting members. On February 1, 2010, the Senate passed legislation to restore the non-voting board members to the MTA Board. This legislation, previously passed by the Assembly, would become effective upon execution by the Governor.

Recent Litigation. An action commenced in Suffolk County Supreme Court against the State of New York, various officials of the State of New York, and the MTA challenging the constitutionality of Chapter 25 of the Laws of 2009, was served on the MTA on January 13, 2010. The plaintiffs are two private coach bus services. Chapter 25 of the Laws of 2009, among other things, imposes certain taxes and fees within the Metropolitan Commuter Transportation District that provide funding for the MTA, including the Regional Mobility Tax. The complaint seeks declaratory relief and a stay of collection of the fees and taxes imposed by the statute, although plaintiffs have not served MTA with a motion seeking stay of collection. The plaintiffs allege that the statute is unconstitutional because it (i) was a special law affecting local governments that required a home rule message; (ii) was a special law affecting local governments and could be passed only by a two-thirds majority in both the Assembly and Senate; (iii) appropriated money for local or private purposes and could be passed only by a two-thirds majority in both the Assembly and Senate; (iv) was an appropriation bill but had more than a single object or purpose; and (v) impermissibly authorizes, accepts, or imposes liability on the State for debts of the MTA. Plaintiffs also allege that the statute violates section 1266 (3) of the Public Authorities Law, which the plaintiffs assert requires that the MTA operate on a "self-sustaining" basis without state financial support. The MTA believes the lawsuit to be without merit and intends to vigorously defend the action.

West Side Yards. MTA and Related Companies, L.P., recently extended the expiration date of the Conditional Designation Letters relating to the Eastern Rail Yard and the Western Rail Yard real estate developments from January 31, 2010, to March 31, 2010 with the objective that the detailed documentation for the transactions, including closing conditions, be finalized and the definitive contracts signed by the March expiration date. MTA was advised in late January 2010 that Goldman Sachs Group Inc. no longer intends to remain a joint venture partner with Related Companies, L.P., for these development projects, while Related Companies, L.P., remains committed to proceeding with the developments. The extension of the Conditional Designation Letters followed the re-zoning of the WRY in December 2009 to permit its proposed mixed use development. If the ERY and WRY real estate developments proceed in accordance with the terms of the Conditional Designation Letters,

MTA would receive a net present value of approximately \$1 billion to support the MTA 2005-2009 Capital Program.

Rating Agency Actions. MTA requested confirmation of the previously issued ratings from the rating agencies which had provided ratings for the Series 2010B Bonds, in light of the anticipated additional revenue shortfalls discussed in “– *Subsequent Developments*” above. MTA received the following responses:

- Moody’s lowered its previous rating to A3 (Stable Outlook);
- Standard & Poor’s took no action to change its previous rating of A (Stable Outlook); and
- Fitch took no action to change its previous rating of A (Negative Outlook).

An explanation of the significance of ratings or any outlooks or other statements given with respect thereto from each rating agency, including statements with respect to their responses to MTA’s request for confirmation, may be obtained as described under “RATINGS” herein.

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PART I. SERIES 2010B BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2010B Bonds.

APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2010B-1 Bonds (the principal amount thereof less certain financing, legal and miscellaneous expenses of \$9,707,860.79) in the amount of \$598,122,139.21 will be used to finance transit and commuter projects set forth in the approved MTA Capital Programs.

MTA anticipates that the net proceeds of the Series 2010B-2 Bonds (the principal amount thereof plus a net original issue premium of \$3,433,372.45 and less certain financing, legal and miscellaneous expenses of \$700,511.66) in the amount of \$51,877,860.79 will be used to finance transit and commuter projects set forth in the approved MTA Capital Programs.

DESCRIPTION OF SERIES 2010B BONDS

General

Book-Entry-Only System. The Series 2010B 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 2010B Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2010B Bonds, all payments on the Series 2010B Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1**—”Book-Entry-Only System.”

Interest Payments. The Series 2010B Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this Official Statement. Interest will be paid on each May 15 and November 15, beginning May 15, 2010. So long as DTC is the sole registered owner of all of the Series 2010B Bonds, all interest payments will be paid to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

Transfers and Exchanges. So long as DTC is the securities depository for the Series 2010B Bonds, it will be the sole registered owner of the Series 2010B Bonds, and transfers of ownership interests in the Series 2010B Bonds will occur through the DTC Book-Entry-Only System.

Trustee and Paying Agent. The Bank of New York Mellon, New York, New York is Trustee and Paying Agent with respect to the Series 2010B Bonds.

Designation of Series 2010B-1 Bonds as “Build America Bonds”

MTA currently intends to elect to designate the Series 2010B-1 Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, MTA will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2010B-1 Bonds. Such cash subsidy payments received by MTA will not constitute part of the trust estate of the Transportation Resolution (as defined herein).

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption of the Series 2010B-1 Bonds. The term bonds shown below are subject to mandatory sinking fund redemption, in part (pro rata in accordance with procedures described below in “Selection of Series 2010B-1 Bonds to be Redeemed”) on any November 15 on and after the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments that are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2010B-1 Bonds shown below:

<u>Series 2010B-1 2031 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2024	\$ 460,000
	2025	15,830,000
	2026	16,510,000
	2027	17,215,000
	2028	17,950,000
	2029	58,155,000
	2030	60,640,000
final maturity	2031	63,240,000
average life – 19.839 years		

<u>Series 2010B-1 2039 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2032	\$65,945,000
	2033	23,150,000
	2034	24,170,000
	2035	25,230,000
	2036	26,345,000
	2037	27,505,000
	2038	28,715,000
final maturity	2039	29,980,000
average life – 25.837 years		

Make-Whole Redemption of the Series 2010B-1 Bonds. The Series 2010B-1 Bonds are subject to redemption prior to maturity by written direction of the MTA, in whole or in part (pro rata in accordance with procedures described below in “Selection of Series 2010B-1 Bonds to be Redeemed in Partial Redemption”), on any Business Day, at the “Make-Whole Redemption Price” (as defined herein). The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2010B-1 Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B-1 Bonds to be redeemed, taking into account mandatory sinking fund redemptions, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B-1 Bonds are to be redeemed, discounted to the date on which the Series 2010B-1 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted “Treasury Rate” (as defined herein) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series 2010B-1 Bonds to be redeemed on the redemption date. The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior

to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B-1 Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption of the Series 2010B-1 Bonds. The Series 2010B-1 Bonds are subject to redemption prior to their maturity, at the option of the MTA, in whole or in part (pro rata in accordance with procedures described below in “Selection of Series 2010B-1 Bonds to be Redeemed in Partial Redemption”) upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of: (1) 100% of the principal amount of the Series 2010B-1 Bonds to be redeemed; and (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2010B-1 Bonds to be redeemed, taking into account mandatory sinking fund redemptions, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2010B-1 Bonds are to be redeemed, discounted to the date on which such Series 2010B-1 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points; plus, in each case, accrued interest on the Series 2010B-1 Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if MTA determines that a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code (as such Sections were added by Section 1531 of the Recovery Act pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by MTA to satisfy the requirements to qualify to receive the 35% cash subsidy payments from the United States Treasury, pursuant to which the MTA’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Selection of Series 2010B-1 Bonds To Be Redeemed in Partial Redemption. If the Series 2010B-1 Bonds are not registered in book-entry-only form, any redemption of less than all of the Series 2010B-1 Bonds will be allocated among the registered owners of such Series 2010B-1 Bonds as nearly as practicable in proportion to the principal amounts of the Series 2010B-1 Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2010B-1 Bonds. This will be calculated based on the formula: (principal amount to be redeemed) x (principal amount owned by owner) / (principal amount outstanding). The particular Series 2010B-1 Bonds to be redeemed will be determined by the Trustee, using such method as it deems fair and appropriate. If the Series 2010B-1 Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2010B-1 Bonds, partial redemptions will be done in accordance with DTC procedures. It is MTA’s intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between MTA and the beneficial owners be made in accordance with these same proportional provisions. However, MTA can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2010B 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 2010B Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2010B 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 2010B Bonds, as a whole, but only in accordance with the terms upon which the Series 2010B Bonds are otherwise redeemable.

Redemption Notices. So long as DTC is the securities depository for the Series 2010B Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2010B 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 2010B 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 may 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 2010B 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 2010B Bonds, then on the redemption date the Series 2010B 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 2010B Bonds called for redemption, thereafter no interest will accrue on those Series 2010B Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2010B Bonds.

Series 2010B-2 Bonds. The Series 2010B-2 Bonds are not subject to redemption prior to their stated maturity dates.

Debt Service on the Bonds

Table 1 sets forth, on a cash basis, the estimated debt service on the outstanding Transportation Revenue Bonds, debt service on the Series 2010B Bonds, and the aggregate estimated debt service on all Transportation Revenue Bonds to be outstanding after the issuance of the Series 2010B Bonds.

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Table 1
Aggregate Debt Service
(in thousands)¹

Year Ending November 15	Outstanding Bonds ^{2,3}	Series 2010B Bonds			Aggregate Debt Service ⁴
		Principal	Interest ³	Total	
2010	\$827,680	\$0	\$31,177	\$31,177	\$858,856
2011	819,296	5,000	40,962	45,962	865,258
2012	838,202	5,000	40,837	45,837	884,039
2013	830,010	5,000	40,687	45,687	875,697
2014	838,441	8,030	40,507	48,537	886,978
2015	837,859	8,325	40,206	48,531	886,390
2016	837,920	8,705	39,830	48,535	886,455
2017	838,347	9,085	39,454	48,539	886,887
2018	838,382	9,435	39,030	48,465	886,847
2019	835,222	12,015	38,539	50,554	885,776
2020	835,063	12,435	37,902	50,337	885,400
2021	834,689	12,870	37,230	50,100	884,788
2022	834,416	13,345	36,515	49,860	884,276
2023	824,662	31,905	35,760	67,665	892,328
2024	842,677	15,245	33,925	49,170	891,847
2025	842,803	15,830	33,029	48,859	891,662
2026	852,611	16,510	31,992	48,502	901,113
2027	862,964	17,215	30,911	48,126	911,090
2028	863,101	17,950	29,784	47,734	910,835
2029	823,121	58,155	28,609	86,764	909,885
2030	823,058	60,640	24,801	85,441	908,498
2031	822,902	63,240	20,830	84,070	906,972
2032	771,782	65,945	16,689	82,634	854,417
2033	463,756	23,150	12,305	35,455	499,211
2034	462,201	24,170	10,766	34,936	497,137
2035	460,591	25,230	9,159	34,389	494,980
2036	250,770	26,345	7,482	33,827	284,597
2037	221,197	27,505	5,731	33,236	254,433
2038	165,471	28,715	3,902	32,617	198,088
2039	100,167	29,980	1,993	31,973	132,140
Total	\$21,299,364	\$656,975	\$840,544	\$1,497,519	\$22,796,883

¹ Totals may not add due to rounding.

² Includes the following variable rates assumptions for debt service: Series 2002D-2, Series 2005D and \$150 million of the Series 2005E Bonds at their respective swap rates of 4.45%, 3.561% and 3.561%; Series 2002B, Series 2002D-1, Series 2002G-1, \$100 million of the Series 2005E Bonds, and Series 2005G Bonds at an assumed variable interest rate of 4% per annum; and Series 2008B Bonds at an assumed rate of 4.0% after their respective Reset Dates. MTA continues to believe that its 4% variable rate assumption is reasonable for long-term cost calculations.

³ Debt service has not been reduced to reflect expected receipt of Build America Bond interest rate subsidies relating to certain Outstanding Bonds; such subsidies do not constitute Pledged Revenues under the Transportation Resolution.

⁴ Includes the assumptions set forth in footnotes 1, 2 and 3.

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 Transportation Revenue Bonds, including the Series 2010B Bonds.

SOURCES OF PAYMENT

Pledged Transportation Revenues

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

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus) and affiliates (currently, MTA New York City Transit and MaBSTOA), and its receipts from many of these sources are pledged for the payment of Transportation Revenue Bonds. The Transportation Resolution provides that bondholders are to be paid from pledged revenues prior to the payment of operating or other expenses, and as described in more detail below. MTA has covenanted to impose fares and other charges so that pledged revenues, together with other available moneys, will be sufficient to cover all debt service and operating and capital costs of the systems. See "Factors Affecting Revenues – Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses" below.

Table 2 sets forth the following for the 5 years ended December 31, 2008:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in Part 3 of **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES," and
- the amount of transit, commuter and MTA Bus operating expenses.

Table 2 is based on the historical audited financial statements of MTA and its subsidiaries, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit and its subsidiary MaBSTOA. The audited financial statements for MTA and MTA New York City Transit for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. This information in **Table 2** may not be indicative of future results of operations and financial condition. **Table 2** does not include MTA Bus information prior to 2006 since MTA Bus signed the Interagency Agreement effective as of April 1, 2006. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

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

	Years Ended December 31,				
	2004	2005	2006	2007	2008 ⁽⁵⁾
Revenues from Systems Operations					
Fares from Transit System	\$2,567	\$2,668	\$2,778	\$2,857	\$3,054
Fares from Commuter System	819	881	911	956	1,010
Fares from MTA Bus	N/A	N/A	104	160	180
Other Income ⁽¹⁾	<u>245</u>	<u>129</u>	<u>79</u>	<u>210</u>	<u>148</u>
Subtotal – Operating Revenues	3,631	3,678	3,872	4,183	4,392
Revenues from MTA Bridges and Tunnels Surplus	377	477	435	406	359
Revenues from Governmental Sources					
State and Local General Operating Subsidies	377	415	391	396	396
Special Tax-Supported Operating Subsidies					
DTF Excess ⁽²⁾	411	361	391	363	345
MMTOA Receipts	736	946	1,219	1,576	1,651
Urban Tax	344	551	669	883	523
Excess Mortgage Recording Taxes	<u>163</u>	<u>193</u>	<u>249</u>	<u>27</u>	<u>214</u>
Subtotal Special Tax-Supported Operating Subsidies	1,654	2,051	2,528	2,849	2,733
Station Maintenance and Service Reimbursements	311	349	376	410	404
City Subsidy for MTA Bus	N/A	N/A	162	187	285
Revenues from Investment of Capital Program Funds⁽³⁾	26	52	66	71	41
Subtotal – Non-Operating Revenues⁽⁴⁾	<u>2,745</u>	<u>3,344</u>	<u>3,958</u>	<u>4,320</u>	<u>4,218</u>
Total Transportation Resolution Pledged Revenues	\$6,376	\$7,022	\$7,830	\$8,504	\$8,610
Debt Service	\$389	\$506	\$629	\$681	\$729
Transit Operating Expenses	\$4,198	\$4,483	\$4,788	5,454	5,695
Commuter Operating Expenses	1,609	1,632	\$1,731	1,954	2,060
MTA Bus Operating Expenses	<u>N/A</u>	<u>N/A</u>	<u>315</u>	<u>387</u>	<u>413</u>
Total Operating Expenses	\$5,807	\$6,115	\$6,834	\$7,795	\$8,168
Total Operating Expenses and Debt Service	\$6,196	\$6,621	\$7,463	\$8,476	\$8,896

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

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

(3) Represents investment income on capital program funds held for the benefit of the Transit and Commuter Systems on an accrual basis.

(4) Sum of (a) Revenues from MTA Bridges and Tunnels Surplus, (b) MTA Bridges and Tunnels – Refund of Excess Debt Service Payments, (c) Revenues from Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), (d) Station Maintenance and Service Reimbursements, (e) City Subsidy for MTA Bus and (f) Revenues from Investment of Capital Program Funds.

(5) Total Operating Expenses and Debt Service are higher than Total Transportation Resolution Pledged Revenues; however additional non-pledged revenues, including concession revenues at Pennsylvania Station and Grand Central Terminal, and the carry-over from 2007 of a \$495 million cash balance resulted in a balanced budget for 2008.

The following should be noted in **Table 2**:

- MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts advanced into the fourth quarter of the preceding year. MTA monitors the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if working capital borrowings may be necessary. The increased amount of MMTOA Receipts in 2005 reflects the imposition of an additional 1/8% regional sales tax commencing June 1, 2005. MMTOA receipts increased every year between 2005 and 2008 due to increased tax collections and additional appropriations to MTA.
- The "Urban Tax" collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds from 2004 through 2007 reflect the very high level of real estate sale and refinancing activity during those years. These collections fell 41% to \$523 million in 2008.
- Excess Mortgage Recording Taxes – Excess mortgage recording taxes were available for Transit and Commuter Systems purposes after the payment of MTA Headquarters Expenses. However, due to declining mortgage recording taxes receipts and increasing MTA Headquarters Expenses, the current Financial Plan provides for no Excess Mortgage Recording Tax transfers to transit and commuter.
- Revenues from Investment of Capital Program Funds – substantially all of the investment income is generated from bond proceeds, such as funds held in anticipation of expenditure on project costs.

Table 3 sets forth estimated results for 2009 and budget information for 2010 taken from the December Plan approved by the MTA Board on December 16, 2009. See "INTRODUCTION – Recent Developments." The information set forth in **Table 3** is comparable to that set forth in **Table 2** with respect to the years 2004-2008.

Table 3
Summary of 2009 Final Estimate and 2010 Final Proposed Budget Pledged Revenues
(Calculated in Accordance with the Transportation Resolution) and Expenses
on a Cash Basis (in millions)

	2009 Final Estimate	2010 Final Proposed Budget ⁽⁷⁾
Revenues from Systems Operations		
Fares from Transit System	\$3,147	\$3,314
Fares from Commuter System	1,048	1,075
Fares from MTA Bus	159	163
Other Income ⁽¹⁾	223	162
Subtotal – Operating Revenues	\$4,578	\$4,715
Revenues from MTA Bridges and Tunnels Surplus	\$308	\$309
Revenues from Governmental Sources		
State and Local General Operating Subsidies ⁽²⁾	\$445	\$704
Special Tax-Supported Operating Subsidies		
DTF Excess ⁽³⁾	\$363	\$265
MMTOA Receipts	1,250	1,363
Regional Mobility Tax Receipts	792	1,669
Urban Tax	150	262
Excess Mortgage Recording Taxes	<u>0</u>	<u>0</u>
Subtotal Special Tax-Supported Operating Subsidies	\$2,555	\$3,560
Station Maintenance and Service Reimbursements	383	445
City Subsidy for MTA Bus	302	305
Revenues from Investment of Capital Program Funds	<u>1</u>	<u>1</u>
Subtotal – Non-Operating Revenues⁽⁴⁾	\$3,995	\$5,324
Total Transportation Resolution Pledged Revenues	\$8,572	\$10,039
Budgeted Debt Service⁽⁵⁾	\$617	\$920
Transit Operating Expenses	\$5,826	\$6,432
Commuter Operating Expenses	2,173	2,290
MTA Bus Operating Expenses	<u>507</u>	<u>485</u>
Total Operating Expenses	\$8,505	\$9,207
Total Operating Expenses and Debt Service⁽⁶⁾	\$9,122	\$10,127

⁽¹⁾ Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Penn. Station concessions), rental income and miscellaneous. Includes MTA Bus Other Income.

⁽²⁾ Includes revenues from taxes, fees and surcharges approved by the New York State legislature on May 7, 2009, other than Regional Mobility Tax Revenues.

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

⁽⁴⁾ Sum of (a) Revenues from MTA Bridges and Tunnels Surplus, (b) Revenues from Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), (c) Station Maintenance and Service Reimbursements, (d) City Subsidy for MTA Bus, and (e) Revenue from Investment of Capital Program Funds.

⁽⁵⁾ In 2010, reflects Build America Bond interest rate subsidy of \$9 million on previously issued bonds and includes debt service associated with proposed 2010-2014 Capital Program - assumes all bonds are issued as Transportation Revenue Bonds, other than those for TBTA purposes.

⁽⁶⁾ 2009 Final Estimate and 2010 Final Proposed Budget Total Operating Expenses and Debt Service are higher than Total Transportation Resolution Pledged Revenues; however, additional non-pledged revenues, including mortgage recording taxes, concession revenues at Pennsylvania Station and Grand Central Terminal, and the drawdown of cash balances, together with certain MTA Re-estimates, Policy, Gap Closing Measures and/or Cash Management Actions are expected to result in balanced budgets for 2009 and 2010.

⁽⁷⁾ See "INTRODUCTION – Recent Developments – *Subsequent Developments*."

Description of Pledged Revenues

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

Revenues from Systems Operations.

- ***Fares from the Transit and Commuter Systems*** – On June 28, 2009, MTA increased transit fares, with the basic local and paratransit fares (excluding express bus service) raised from \$2.00 to \$2.25 per trip on its subway and buses. MTA New York City Transit also increased the cost of 30-day and calendar monthly unlimited ride MetroCards from \$81 to \$89, the cost of a 7-day unlimited ride MetroCard from \$25 to \$27, the cost of a 14-day unlimited ride MetroCard from \$47 to \$51.50, the 1-day unlimited ride MetroCard from \$7.50 to \$8.25, the 7-day Express Bus Plus unlimited ride MetroCard from \$41 to \$45, and the express bus fare from \$5 to \$5.50. While the existing bonus of 15% was retained, the minimum purchase price for the Bonus Pay-Per-Ride Card increased from \$7 to \$8. On June 17, 2009, MTA increased Commuter Rail fares for service between points in New York State, by an average of 10% to/from Manhattan and with similar increases for other fares. Additionally, the Mail&Ride fare discount on the joint monthly railroad/unlimited ride MetroCard was reduced from 5% to 4%, and the City-Ticket price increased from \$3.25 to \$3.50. Connecticut fares on MTA Metro-North Railroad were unchanged.
- ***Other Income*** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MTA Metro-North Railroad) and Pennsylvania Station (the main station for MTA Long Island Rail Road), however, are not included within these amounts pledged.

Revenues from MTA Bridges and Tunnels Surplus. MTA Bridges and Tunnels is required by law to transfer its annual operating surpluses (generally, tolls and other operating revenues from bridges and tunnels after payment of operating expenses and debt service costs) to MTA, and a statutory formula determines how MTA allocates that money between the Transit and Commuter Systems.

Bridges and Tunnels. Effective July 12, 2009:

- ***Cash tolls for passenger vehicles*** – Base tolls increased by \$0.50 at the Robert F. Kennedy, Bronx-Whitestone and Throgs Neck Bridges and Queens Midtown and Brooklyn Battery Tunnels to \$5.50, by \$1.00 at the Verrazano-Narrows Bridge (where tolls are collected in the westbound direction only) to \$11.00, by \$0.25 at the Henry Hudson Bridge to \$3.00, and by \$0.25 at the Marine Parkway-Gil Hodges and Cross Bay Veterans Memorial Bridges to \$2.75. Commercial vehicle tolls also increased.
- ***E-ZPass Tolls*** – E-ZPass tolls for passenger vehicles using tags issued by the New York E-ZPass Customer Service Center (NY-CSC) increased by up to 10.3%. Commercial vehicle tolls also increased. Commercial vehicles using tags issued by the NY-CSC receive a 25% discount off the cash toll rate. Passenger and commercial vehicles using non-NY-CSC issued E-ZPass tags used to be charged the discounted E-ZPass rates, but are now charged the cash toll rate.

Revenues from State and Local Governmental Sources.

- ***General operating subsidies from the State and local governments*** – Under the State’s Section 18-b program, MTA receives –
 - subsidies for transit from the State and matching subsidies from New York City, and

- subsidies for commuter from the State and matching subsidies from New York City and the seven counties within the MTA transportation district.
- ***Special tax-supported operating subsidies*** – MTA receives subsidies from a number of sources including –
 - portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
 - a group of business privilege taxes imposed on petroleum businesses operating in the State, referred to as the PBT,
 - motor fuel taxes on gasoline and diesel fuel, and
 - certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees; and
 - portions of the following mass transportation operating assistance or MMTOA taxes, which State law requires first be used to pay debt service on MTA’s Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—
 - the regional PBT (in addition to the state-wide portion described above), which is referred to as the MMTOA PBT,
 - the sales and compensating use tax within the MTA transportation district,
 - two franchise taxes imposed on certain transportation and transmission companies, and
 - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the MTA transportation district; and
 - a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.

Additional Taxes and Fees – On May 7, 2009, legislation was enacted in New York State (the May Legislation) providing additional sources of revenues in the form of taxes, fees and surcharges to address the financial needs of the MTA. The new law (Chapter 25 of the Laws of 2009) among other things:

- imposes a payroll mobility tax (the Regional Mobility Tax) of 0.34 percent on payroll expenses and net earnings from self-employment within the MTA Commuter Transportation District (effective as of March 1, 2009, except school districts, effective September 1, 2009);
- imposes a supplemental fee of one dollar for each six month period of validity of a learner’s permit or a driver’s license issued to a person residing in the MTA Commuter Transportation District (effective September 1, 2009);
- imposes a supplemental fee of twenty-five dollars per year on the registration and renewals of registrants of motor vehicles who reside within the MTA Commuter Transportation District (effective September 1, 2009);
- imposes on taxicab owners a tax of fifty cents per ride on taxicab rides originating in New York City and terminating within the MTA Commuter Transportation District (effective November 1, 2009);
- imposes a supplemental tax of five percent of the cost of rentals of automobiles rented within the MTA Commuter Transportation District (effective June 1, 2009).

The revenues from the Regional Mobility Tax (the Regional Mobility Tax Revenues) can be: (i) pledged by MTA to secure and be applied to the payment of bonds to be issued in the future, to fund capital projects of MTA, its subsidiaries, and MTA New York City Transit and its subsidiary and (ii) used by MTA to pay capital costs, including debt service of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. Subject to the provisions of any such pledge, or in the event there is no such pledge, the Regional Mobility Tax Revenues can be used by MTA to pay for costs, including operating costs of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. Under the Transportation Resolution, the Regional Mobility Tax Revenues constitute “Operating Subsidies” that are pledged to the payment of principal of and interest on the Bonds to the extent not required to be applied to the payment of debt service on bonds issued in the future by MTA that are secured in whole or in part by the Regional Mobility Tax Revenues. MTA is considering the establishment in the future of a new credit secured in whole or in part by the Regional Mobility Tax Revenues; such pledge would reduce the amounts of Regional Mobility Tax Revenues available to constitute Operating Subsidies.

The other new revenues (the Additional 2009 Revenues) may be pledged by MTA or pledged to MTA Bridges and Tunnels to secure debt of MTA or MTA Bridges and Tunnels. Subject to the provisions of such pledge, or in the event there is no such pledge, such new revenues can be used by MTA for the payment of operating and capital costs of MTA, its subsidiaries and MTA New York City Transit and its subsidiary as MTA shall determine. Under the Transportation Resolution, the Additional 2009 Revenues constitute “Non-Pledged Operating Subsidies” that are not pledged to the payment of principal of and interest on the Bonds, unless and until and to the extent MTA allocates such moneys to the payment of debt service on the Bonds or Operating and Maintenance Expenses. No assurances can be given that MTA will allocate any of the Additional 2009 Revenues to the payment of debt service on the Bonds or Operating and Maintenance Expenses in the future.

The new sources of revenue noted above were preliminarily projected to provide an additional \$1.1 billion to MTA for calendar year 2009 and an additional \$1.9 billion to MTA in calendar year 2010. See “INTRODUCTION – Recent Developments – *The December Financial Plan*,” “– *Recent Litigation*,” and “– *Subsequent Developments*.”

- ***Station maintenance and service reimbursements*** – MTA is reimbursed by the City and the seven counties in the MTA transportation district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support MTA New York City Transit’s paratransit, senior-citizen and school children programs. Also, MTA Metro-North Railroad receives certain payments from the Connecticut Department of Transportation (CDOT) for its share of the operating deficits of the New Haven rail line.
- ***City Agreement with MTA Bus*** – In December 2004, the MTA Board approved a letter agreement with the City (the MTA Bus Letter Agreement) with respect to MTA Bus’ establishment and operation of certain bus routes (the MTA Bus System) in areas then served by seven private bus companies pursuant to franchises granted by the City. The City’s payments under the MTA Bus Letter Agreement are pledged to holders of the Transportation Revenue Bonds and are reflected in **Table 2** above since 2006 when MTA Bus became a party to the Interagency Agreement. The MTA Bus Letter Agreement with the City provides for the following:
 - A lease by the City to MTA Bus of the bus assets to operate the MTA Bus System.
 - The City agrees to pay MTA Bus the difference between the actual cost of operation of the MTA Bus System (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the MTA Bus System.

- If the City fails to timely pay any of the subsidy amounts due for a period of 30 days, MTA Bus has the right, after an additional 10 days, to curtail, suspend or eliminate service and may elect to terminate the agreement. The City can terminate the agreement on one year's notice.

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

Factors Affecting Revenues

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

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

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

Operating Results and Projections. Based upon the December Plan, the budgets of the Related Entities are expected to be substantially in balance through 2011, but there is expected to be a substantial deficit in 2012. Any of the Transit System, the Commuter System or MTA Bus or all of them may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include raising fares.

December Plan. The December Plan, the 2000-2004 MTA Capital Program, the 2005-2009 MTA Capital Program, the proposed 2010-2014 MTA Capital Program and future MTA Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the December Plan, the 2000-2004 MTA Capital Program, the 2005-2009 MTA Capital Program, the proposed 2010-2014 MTA Capital Program and future MTA Capital Programs, as well as on pledged revenues. See Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS."

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

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

- Subsidy payments by the State may be made only if and to the extent that appropriations have been made by the Legislature, and money is available to fund those appropriations.
- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made.
- The State is not bound or obligated to continue to pay operating subsidies to the Transit, Commuter or MTA Bus Systems or to continue to impose any of the taxes currently funding those subsidies.
- The financial condition of the States of New York and Connecticut, and the City and counties in MTA's transportation district could affect the ability or willingness of the States and local governments to continue to provide general operating subsidies, the City and local governments to continue to provide reimbursements and station maintenance payments, and the State to continue to make special appropriations.
- Successful court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA could adversely affect the amount of pledged revenues generated by such State taxes.

See "INTRODUCTION – Recent Developments – *Subsequent Developments*" and "– *Recent Litigation.*"

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

SECURITY

General

The Transportation Revenue Bonds, including the Series 2010B Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution.

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

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the MSRB through EMMA. See "INTRODUCTION – Where to Find Information."

Pledge Effected by the Resolution

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

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of transit and commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and
- the Amended and Restated Interagency Agreement dated as of April 1, 2006, among MTA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA New York City Transit, MaBSTOA and MTA Bus.

The Trustee may directly enforce an undertaking to operate the Transit System, the Commuter System or the MTA Bus System to ensure compliance with the Transportation Resolution.

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

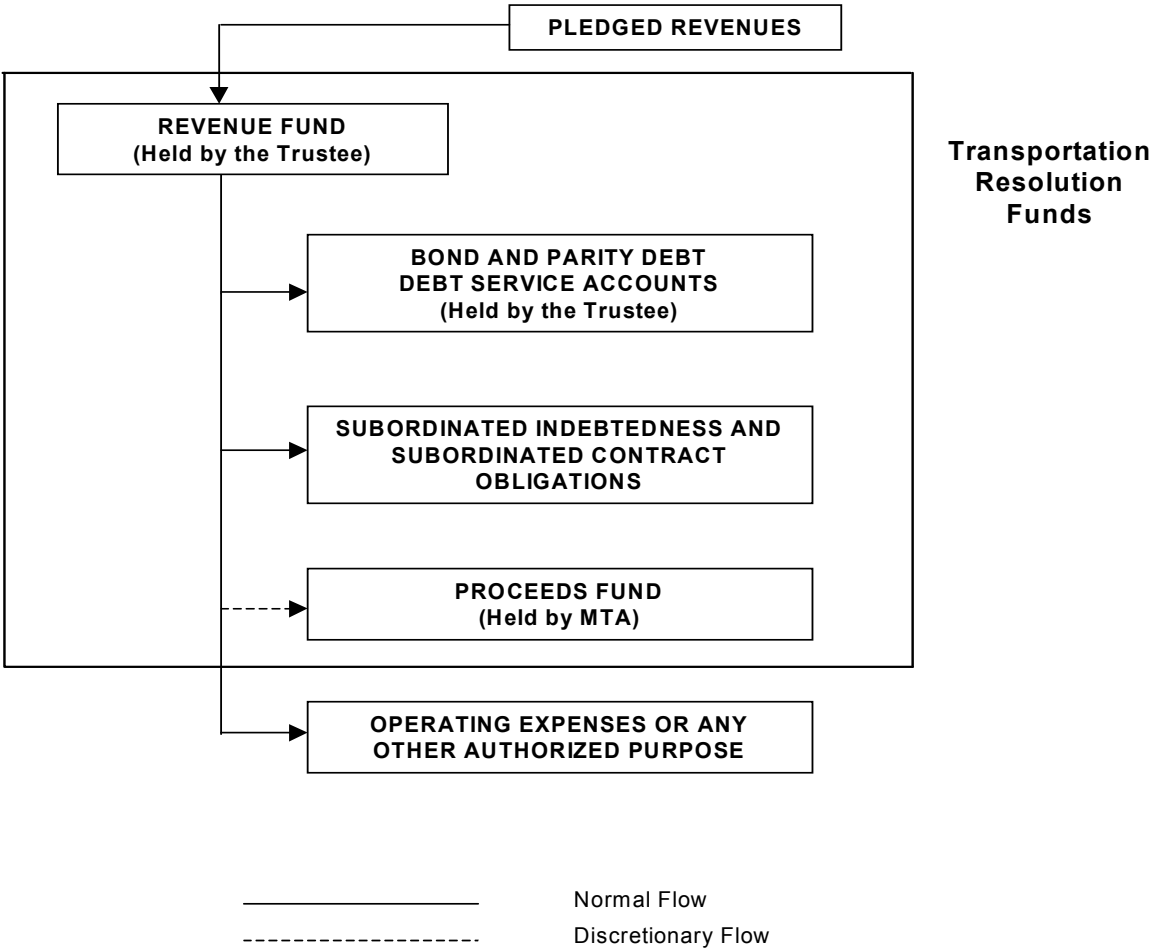
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

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

Operating and Maintenance Covenants.

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

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

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

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

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

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

PART III. OTHER INFORMATION ABOUT THE SERIES 2010B BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2010B Bonds.

TAX MATTERS

General

Nixon Peabody LLP is Bond Counsel for the Series 2010B Bonds. Their opinion is that, under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, interest on the Series 2010B-2 Bonds is:

- excluded from a bondowner’s federal gross income under the Internal Revenue Code,
- not a preference item for a bondowner under the federal alternative minimum tax, and
- not included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Series 2010B-1 Bonds are to be issued as federally taxable Build America Bonds under the provisions of the Recovery Act and the Internal Revenue Code and so interest on the Series 2010B-1 Bonds will not be excluded from a bondowner’s federal gross income, nor will a bondowner be entitled to claim any tax credit under Section 54AA of the Internal Revenue Code.

Their opinion is also that under existing law interest on the Series 2010B 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 2010B Bonds are delivered.

The Series 2010B-1 Bonds

IRS Circular 230 Notice

The advice under the caption “The Series 2010B-1 Bonds” concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2010B-1 Bonds, was written to support the promotion or marketing of the Series 2010B-1 Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel to MTA informs you that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to MTA is not intended to be used, and cannot be used by any bondowner, for the purpose of avoiding penalties that may be imposed on the bondowner under the Internal Revenue Code, and (ii) the bondowner should seek advice based on the bondowner’s particular circumstances from an independent tax advisor.

The Series 2010B-1 Bonds are to be designated by MTA as Build America Bonds and in connection with the issuance of the Series 2010B-1 Bonds MTA expects to irrevocably elect to receive the credit pursuant to Section 54AA of the Internal Revenue Code directly, all as authorized by the Recovery Act and the applicable provisions of the Internal Revenue Code. Consequently, interest on the Series 2010B-1 Bonds is not excluded from a bondowner’s federal gross income nor are bondowners entitled to claim any credit under Section 54AA of the Internal Revenue Code with respect to the Series 2010B-1 Bonds. Based on that designation and election, the expected status of the Series 2010B-1 Bonds as Build America Bonds is for MTA’s benefit, and MTA has no obligation to the bondowners or prospective purchasers of the Series 2010B-1 Bonds to maintain the status of the Series 2010B-1 Bonds as Build America Bonds. Pursuant to the Recovery Act, to the extent MTA satisfies the conditions required for Build America Bond status, and based on the aforementioned election MTA expects to make in connection with the issuance of the Series 2010B-1 Bonds, the MTA will receive cash subsidy payments from the United States Treasury. The Internal Revenue Code imposes requirements on the Series 2010B-1 Bonds that MTA must continue

to meet after the Series 2010B-1 Bonds are issued in order to receive the cash subsidy payments. These requirements generally involve the way that Series 2010B-1 Bond proceeds must be invested and ultimately used. If MTA does not satisfy these requirements, MTA may not receive the cash subsidy payments. As a result of its election, holders of the Series 2010B-1 Bonds are not entitled to claim or receive any federal tax credit relating to the Series 2010B-1 Bonds, including any credit otherwise permitted under section 54AA of the Internal Revenue Code.

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2010B-1 Bonds. The summary is based upon the provisions of the Internal Revenue Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2010B-1 Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2010B-1 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010B-1 Bonds.

Interest on the Series 2010B-1 Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2010B-1 Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2010B-1 Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to an owner of Series 2010B-1 Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2010B-1 Bonds issued with original issue discount (“Discount Series 2010B-1 Bonds”). A Series 2010B-1 Bond will be treated as having been issued at an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2010B-1 Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2010B-1 Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Series 2010B-1 Bond’s “stated redemption price at maturity” is the total of all payments provided by the Discount Series 2010B-1 Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2010B-1 Bond is the sum of the “daily portions” of original issue discount with respect to such Discount Series 2010B-1 Bond for each day during the taxable year in which such holder held such Discount Series 2010B-1 Bond. The daily portion of original issue discount on any Discount Series 2010B-1 Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series 2010B-1 Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2010B-1 Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Series 2010B-1 Bond at the beginning of any accrual period is the sum of the issue price

of the Discount Series 2010B-1 Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2010B-1 Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Series 2010B-1 Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a Series 2010B-1 Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2010B-1 Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Internal Revenue Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Series 2010B-1 Bond at a market discount also may be required to defer, until the maturity date of such Series 2010B-1 Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2010B-1 Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2010B-1 Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2010B-1 Bond for the days during the taxable year on which the owner held the Series 2010B-1 Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2010B-1 Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser who purchases a Series 2010B-1 Bond at a cost greater than its then principal amount (or, in the case of a Series 2010B-1 Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Internal Revenue Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series 2010B-1 Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2010B-1 Bonds.

Sale or Redemption of Series 2010B-1 Bonds. A bondowner's tax basis for a Series 2010B-1 Bond is the price such owner pays for the Series 2010B-1 Bond plus the amount of any original issue discount and market

discount previously included in income, reduced on account of any payments received (other than “qualified periodic interest” payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2010B-1 Bond, measured by the difference between the amount realized and the Series 2010B-1 Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2010B-1 Bond is held as a capital asset (except as discussed above under “Market Discount”). The defeasance of Series 2010B-1 Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding. A bondowner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the Series 2010B-1 Bonds. This withholding generally applies if the owner of a Series 2010B-1 Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other “reportable payments” as defined in the Internal Revenue Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2010B-1 Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2010B-1 Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Borrowers. Under the Internal Revenue Code, interest and original issue discount income with respect to Series 2010B-1 Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the MTA (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2010B-1 Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Internal Revenue Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Internal Revenue Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Internal Revenue Code on an investment in any Series 2010B-1 Bonds.

The opinions of Bond Counsel are not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2010B-1 Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2010B-1 Bonds. The opinions of Bond Counsel are provided to support the promotion or marketing of the Series 2010B-1 Bonds. In all events, all investors should consult their own tax advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Series 2010B-1 Bonds.

The Series 2010B-2 Bonds

The Internal Revenue Code imposes requirements on the Series 2010B-2 Bonds that MTA must continue to meet after the Series 2010B-2 Bonds are issued. These requirements generally involve the way that Series 2010B-2 Bond proceeds must be invested and ultimately used. If MTA does not meet these requirements, it is possible that a bondowner may have to include interest on the Series 2010B-2 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 bondowner who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2010B-2 Bonds. This is possible if a bondowner 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 2010B-2 Bonds.

If a bondowner 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 2010B-2 Bonds or affect the market price of the Series 2010B-2 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 2010B-1 Bonds or under State, local or foreign tax law.

Original Issue Discount. Each maturity of the Series 2010B-2 Bonds will have “original issue discount” if the price first paid by the bondowners for a substantial amount of the Series 2010B-2 Bonds is less than the principal amount of these Series 2010B-2 Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2010B-2 Bonds as it accrues is excluded from a bondowner’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondowner’s tax basis in these Series 2010B-2 Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2010B-2 Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondowner owns one of these Series 2010B-2 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondowner purchases a Series 2010B-2 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2010B-2 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondowner’s tax basis in that Series 2010B-2 Bond will be reduced. The holder of a Series 2010B-2 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondowner in certain circumstances may realize a taxable gain upon the sale of a Series 2010B-2 Bond with bond premium, even though the Series 2010B-2 Bond is sold for an amount less than or equal to the owner’s original cost. If a bondowner owns any Series 2010B-2 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on the Series 2010B-2 Bonds. If the bondowner 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 bondowner is one of a limited class of exempt recipients, including corporations, these requirements will be satisfied. Other bondowners will be subject to “backup withholding”; that is, the tax due from a bondowner 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 2010B Bonds under federal or state law and could affect the market price or marketability of the Series 2010B Bonds.

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

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2010B 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 2010B 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, MaBSTOA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in Part 5 of **Appendix A** under the caption “LITIGATION,” as that filing may be amended or supplemented to date. See also “INTRODUCTION – Recent Developments – *Recent Litigation.*”

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2010B Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2010B 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 2010B Bonds.

UNDERWRITING

The Underwriters for the Series 2010B Bonds, acting through Barclays Capital Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2010B Bonds described on the inside cover of this official statement at an aggregate purchase price of \$656,429,360.72, reflecting a net original issue premium of \$3,433,372.45 and an Underwriters’ discount of \$3,979,011.73, and to reoffer such Series 2010B Bonds at the public offering prices or yields set forth on the inside cover.

The Series 2010B Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2010B Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters.

The Underwriters' obligations to purchase the Series 2010B Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2010B Bonds if any Series 2010B Bonds are purchased. Delivery of the Series 2010B-1 Bonds is not conditioned upon delivery of the Series 2010B-2 Bonds. Delivery of the Series 2010B-2 Bonds is not conditioned upon delivery of the Series 2010B-1 Bonds.

The following four sentences have been provided by Citigroup Global Markets Inc., one of the underwriters for the Series 2010B Bonds: Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Series 2010B Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Series 2010B Bonds.

The following two sentences have been provided by J.P. Morgan Securities Inc., one of the underwriters for the Series 2010B Bonds: J.P. Morgan Securities Inc., one of the underwriters of the Series 2010B Bonds, has entered into an agreement (the Distribution Agreement) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010B Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010B Bonds with UBS Financial Services Inc.

The following sentence has been provided by Wachovia Bank, National Association, one of the underwriters for the Series 2010B Bonds: Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies to be assigned to the Series 2010B Bonds. Those ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings or any outlooks or other statements given with respect thereto from each identified agency may be obtained as follows:

Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
One State Street Plaza	7 World Trade Center	55 Water Street
New York, New York 10004	New York, New York 10007	New York, New York 10041
(212) 908-0500	(212) 553-0300	(212) 438-2000

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

LEGAL MATTERS

All legal proceedings in connection with the issuance of the bonds being offered are subject to the approval of the nationally-recognized bond counsel firm identified on page (i) 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, MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Underwriters as indicated in the Summary of Terms.

CONTINUING DISCLOSURE

As more fully stated in **Attachment 2**, MTA has agreed to provide certain financial information and operating data by no later than 120 days following the end of each fiscal year. That information is to include, among other things, information concerning MTA annual audited financial statements prepared in accordance with generally accepted accounting principles, or if unavailable, unaudited financial statements will be delivered until audited statements become available. MTA has undertaken to file such information (the Annual Information) with EMMA.

MTA has further agreed to deliver notice to EMMA of any failure to provide the Annual Information. MTA is also obligated to deliver notices of the following events, if material, to EMMA:

- principal and interest delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax exempt status of the security;
- modifications to the rights of security holders;
- bond calls;
- defeasance;
- release, substitution, or sale of property securing repayment of the securities; and
- rating changes.

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

FURTHER INFORMATION

MTA may place a copy of this official statement on its website at “www.mta.info/mta/investor/index.html.” 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/ Patrick J. McCoy
Director, Finance

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2010B Bonds. The Series 2010B 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 2010B Bond will be issued for each maturity of the Series 2010B 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 2010B 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series 2010B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010B 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 2010B 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 2010B Bonds, except in the event that use of the book-entry system for the Series 2010B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2010B 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 2010B 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 2010B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010B 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 2010B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010B Bond documents. For example, Beneficial Owners of the Series 2010B Bonds may wish to ascertain that the nominee holding the Series 2010B 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 2010B 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 2010B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (Rule 15c2-12), MTA and the Trustee will enter into a written agreement (the Disclosure Agreement) for the benefit of holders of the Series 2010B Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the Related Transportation Entities (currently, MTA and its subsidiaries MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit and its subsidiary MaBSTOA) by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2009 (the Annual Information), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with the Electronic Municipal Market Access System (EMMA) of the Municipal Securities Rulemaking Board (the MSRB). Notices of material events will be filed by or on behalf of MTA with EMMA. The nature of the information to be provided in the Annual Information and the notices of material events is set forth below.

Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2010B Bonds to provide or cause to be provided, either directly or through the Trustee, audited consolidated financial statements of MTA New York City Transit and the audited consolidated financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2009, when and if such audited financial statements become available and, if such audited financial statements of either MTA New York City Transit or MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of MTA New York City Transit or MTA for such fiscal year. MTA New York City Transit's and MTA's annual financial statements will be filed by or on behalf of such parties by MTA with EMMA. In the event that such audited financial statements of MTA New York City Transit cease to be separately published, the obligation of MTA hereunder to provide such financial statements shall cease.

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

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

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

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific cross-reference to any other documents which have been filed with (a) EMMA or (b) the Securities and Exchange Commission (the SEC). Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent feasible, such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to EMMA.

MTA will undertake, for the benefit of holders of the Series 2010B Bonds, to provide or cause to be provided:

1. to EMMA, in a timely manner, notice of any of the events listed under the caption "CONTINUING DISCLOSURE" in this Official Statement with respect to the Series 2010B Bonds, if material, and
2. to EMMA, in a timely manner, notice of a failure to provide any Annual Information required by such undertaking or any required audited financial statements of any of the Related Transportation Entities.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2010B Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2010B Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the undertaking is an action to compel specific performance, and no person or entity, including any holder of Series 2010B Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2010B Bonds at the time Outstanding which are

affected thereby. Each of the MTA and the Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the Transportation Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the Transportation Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data, and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2010B Bonds have been paid in full or legally defeased pursuant to the Transportation Resolution or the date the undertaking is no longer required by law. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2010B 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 record of proceedings of the Metropolitan Transportation Authority (“MTA”) and other proofs submitted to us relative to the issuance of \$607,830,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2010B-1 (Federally Taxable – Issuer Subsidy – Build America Bonds) (the “Series 2010B-1 Bonds”) and \$49,145,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2010B-2 (the “Series 2010B-2 Bonds”) and, together with the Series 2010B-1 Bonds, the “Series 2010B Bonds”).

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

The Series 2010B 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 “General Resolution Authorizing Transportation Revenue Obligations,” as supplemented by a resolution of said members adopted on January 27, 2009 (collectively, the “Resolution”).

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010B-2 Bonds in order that interest on the Series 2010B-2 Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of 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 2010B-2 Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2010B-2 Bonds and the investment of certain funds. The Tax Certificate obligates MTA to take certain actions necessary to cause interest on the Series 2010B-2 Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2010B-2 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 2010B-2 Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 7 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 from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2010B-2 Bonds 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 2010B-1 Bonds and one of said Series 2010B-2 Bonds as executed and, in our opinion, the form of said Series 2010B Bonds and their 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 2010B 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 2010B 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 2010B Bonds.

4. The MTA, the holders of the Series 2010B Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2010B 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. Interest on the Series 2010B-1 Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation; this opinion is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the Series 2010B-1 Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Series 2010B-1 Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Series 2010B-1 Bonds. Each owner of the Series 2010B-1 Bonds should seek advice based on its particular circumstances from an independent tax advisor.

7. Under existing statutes and court decisions (i) interest on the Series 2010B-2 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2010B-2 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2010B-2 Bonds maturing on November 15, 2016 bearing interest at 3.000% per annum (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2010B-2 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

8. Under existing statutes, interest on the Series 2010B 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, 7 and 8, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2010B Bonds. We express no opinion regarding the federal, state, local or foreign tax consequences of any action hereafter taken or not taken in reliance upon an opinion of other counsel with respect to the Series 2010B Bonds.

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 2010B Bonds.

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

Very truly yours,

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