



On November 7, 2008, Metropolitan Transportation Authority (MTA) is effecting a mandatory tender of its Transportation Revenue Variable Rate Bonds, Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds (redesignated collectively, as the Subseries 2005D-1 Bonds) and on November 10, 2008, MTA is effecting a mandatory tender of its Transportation Revenue Variable Rate Bonds, Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds (redesignated collectively, as the Subseries 2005D-2 Bonds, and together with the Subseries 2005D-1 Bonds, the Series 2005D Bonds). On each of the respective mandatory purchase dates, (i) the CIFG insurance policy issued in connection with the original Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds and the FSA insurance policy issued in connection with the original Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds will be terminated; (ii) Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, will issue irrevocable direct-pay letters of credit relating to each of the Subseries 2005D-1 Bonds and the Subseries 2005D-2 Bonds; (iii) the Series 2005D Bonds will be subject to mandatory tender on the respective mandatory purchase dates at a purchase price equal to the principal amount thereof; and (v) the terms and provisions of the Series 2005D Bonds will be amended to reflect the terms and provisions described herein. Interest on the tendered Series 2005D Bonds will be paid in the ordinary course. Upon the termination and cancellation of each of the CIFG insurance policy and FSA insurance policy, registered owners of the Series 2005D Bonds will have no claim against either of such insurance policies. By acceptance of a confirmation of purchase of the Series 2005D Bonds, each beneficial owner will be deemed to have acknowledged (i) the cancellation and termination of the applicable insurance policy, (ii) that such beneficial owner will have no recourse to the applicable insurance policy for payment of interest or principal on the Series 2005D Bonds, and (iii) that the amendments to the Certificate of Determination reflecting such termination and incorporating the terms and provisions of the Series 2005D Bonds described herein will be applicable to such Bonds. See "REMARKETING PLAN."

See "TAX MATTERS" herein for a discussion of certain Federal and State income tax matters.



**\$250,000,000**  
**Metropolitan Transportation Authority**  
**Transportation Revenue Variable Rate Bonds, Series 2005D**

*consisting of*

**\$150,000,000 Subseries 2005D-1**

**\$100,000,000 Subseries 2005D-2**

**DATED:** The Subseries 2005D-1 Bonds are dated and interest accrues from November 7, 2008  
The Subseries 2005D-2 Bonds are dated and interest accrues from November 10, 2008

**DUE:** November 1, 2035

The Series 2005D 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 Remarketing Circular, 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.

Each subseries of the Series 2005D Bonds will constitute Variable Interest Rate Obligations. The Subseries 2005D-1 Bonds will bear interest from and including November 7, 2008 in the Weekly Mode as described herein. MTA reserves the right at any time to convert the Subseries 2005D-1 Bonds to an Auction Rate Mode, Commercial Paper Mode, Daily Mode, Fixed Rate Mode or Term Rate Mode. The Subseries 2005D-2 Bonds will bear interest from and including November 10, 2008 in the Daily Mode as described herein. MTA reserves the right at any time to convert the Subseries 2005D-2 Bonds to an Auction Rate Mode, Commercial Paper Mode, Weekly Mode, Fixed Rate Mode or Term Rate Mode.

**This Remarketing Circular (i) is intended to provide disclosure only to the extent the Subseries 2005D-1 Bonds remain in the Weekly Mode and the Subseries 2005D-2 Bonds remain in the Daily Mode, and (ii) speaks only as of the date of this document or as of certain earlier dates specified herein.**

The payment of principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to the Subseries 2005D-1 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-1 Initial Credit Facility) issued by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the Initial Credit Facility Issuer), pursuant to a Letter of Credit and Reimbursement Agreement dated November 7, 2008, (the Subseries 2005D-1 Reimbursement Agreement) between MTA and the Initial Credit Facility Issuer. The Subseries 2005D-1 Initial Credit Facility is scheduled to expire on November 7, 2011, unless extended or earlier terminated. The payment of principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to the Subseries 2005D-2 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-2 Initial Credit Facility) issued by the Initial Credit Facility Issuer, pursuant to a Letter of Credit and Reimbursement Agreement dated November 10, 2008, (the Subseries 2005D-2 Reimbursement Agreement) between MTA and the Initial Credit Facility Issuer. The Subseries 2005D-2 Initial Credit Facility is scheduled to expire on November 10, 2010, unless extended or earlier terminated. See "DESCRIPTION OF SERIES 2005D BONDS — Credit and Liquidity Facilities" herein.

The Subseries 2005D-1 Initial Credit Facility and the Subseries 2005D-2 Initial Credit Facility are collectively referred to herein as the Initial Credit Facilities. The Remarketing Agent for a subseries of Bonds will suspend the remarketing of such subseries upon the termination or suspension of the related Initial Credit Facility.

The Series 2005D Bonds are subject to the Book-Entry-Only system through the facilities of The Depository Trust Company.

The Series 2005D Bonds are subject to redemption prior to maturity and mandatory and optional tender as described herein, including mandatory tender for purchase prior to the expiration or termination of the related Initial Credit Facility for each subseries of Series 2005D Bonds as described herein.

In the event that either the Subseries 2005D-1 Initial Credit Facility or the Subseries 2005D-2 Initial Credit Facility terminates in accordance with the terms of the respective Reimbursement Agreement as described herein, the applicable subseries of the Series 2005D Bonds will be subject to mandatory tender for purchase as described herein. Payment of the Purchase Price is not an obligation of MTA.



Price - 100%

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 2005D Bonds. Investors are advised to read the entire Remarketing Circular, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

**Merrill Lynch & Co.**  
Remarketing Agent for the  
Subseries 2005D-1 Bonds

**Morgan Stanley**  
Remarketing Agent for the  
Subseries 2005D-2 Bonds

**SUMMARY OF TERMS RELATING TO WEEKLY MODE**

OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date.
RATE DETERMINATION DATE	Each Wednesday, unless such Wednesday is not a Business Day, in which case the rate shall be set on the Business Day next preceding such Wednesday.
RATE ADJUSTMENT DATE	Thursday of each week.
REMARKETING AGENT FOR SUBSERIES 2005D-1 BONDS ADDRESS FOR DELIVERY OF TENDER NOTICE	Merrill Lynch, Pierce, Fenner & Smith Incorporated 4 World Financial Center, 9 <sup>th</sup> Floor New York, New York 10080 Attention: Municipal Money Markets Phone: (212) 449-5544 Fax: (212) 449-6440

**SUMMARY OF TERMS RELATING TO DAILY MODE**

OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below.
RATE DETERMINATION DATE RATE ADJUSTMENT DATE	Each Business Day.
REMARKETING AGENT FOR SUBSERIES 2005D-2 BONDS ADDRESS FOR DELIVERY OF TENDER NOTICE	Morgan Stanley & Co. Incorporated 1221 Avenue of the Americas, 30 <sup>th</sup> Floor New York, New York 10020 Attention: Short-Term Products (Mary Lou Coriasco) Phone: (212) 762-8263 Fax: (212) 507-1937 Email: muni-short-term@morganstanley.com

**SUMMARY OF TERMS RELATING TO WEEKLY MODE AND DAILY MODE**

RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date.
INTEREST PAYMENT DATES AND CALCULATION PERIOD	The first Business Day of each month, commencing December 1, 2008, on actual days over a 365-day year (366 in years when February has 29 days).
NOTICE OF MODE CHANGE; MODE CHANGE DATE	Trustee to mail notice to Owners not later than 15 days before the Mode Change Date, which can be any Business Day.
MANDATORY TENDER FOR PURCHASE	On each Mode Change Date, Expiration Tender Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date. MTA may rescind any election by it to change Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to 11:00 A.M. on the Business Day preceding such Mode Change Date.
TENDER AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	The Bank of New York Mellon 101 Barclay Street, 7W New York, New York 10286 Attention: Global Corporate Trust - NY Muni Phone: (212) 815-2588 Fax: (212) 815-5595

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

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

H. Dale Hemmerdinger .....	Chairman
David S. Mack .....	Vice-Chairman
Andrew M. Saul .....	Vice-Chairman
Andrew B. Albert .....	Non-Voting Member
John H. Banks III.....	Member
Robert C. Bickford .....	Member
James F. Blair .....	Non-Voting Member
Norman E. Brown.....	Non-Voting Member
Allen P. Cappelli .....	Member
Donald Cecil.....	Member
Doreen M. Frasca .....	Member
Jeffrey A. Kay .....	Member
Mark D. Lebow .....	Member
James L. McGovern.....	Non-Voting Member
Susan G. Metzger .....	Member
Mark Page .....	Member
Mitchell H. Pally .....	Member
Norman I. Seabrook.....	Member
James L. Sedore, Jr.....	Member
Nancy Shevell.....	Member
Vincent Tessitore, Jr.....	Non-Voting Member
Ed Watt.....	Non-Voting Member
Carl V. Wortendyke.....	Member

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

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

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

## SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2005D Bonds following a remarketing of the Series 2005D Bonds as described herein under “REMARKETING PLAN”. The information in this Remarketing Circular, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being remarketed.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.	
Bonds Being Remarketed .....	\$250,000,000 Transportation Revenue Variable Rate Bonds, Series 2005D.	
CUSIP Numbers* .....	<u>Subseries</u> 2005D-1 2005D-2	<u>CUSIP Numbers</u> 59259Y AG4 59259Y AE9
Purpose of Issue.....	The Series 2005D Bonds were issued on November 2, 2005 to finance approved transit and commuter projects operated by MTA’s affiliates and subsidiaries.	
Maturity and Rates.....	The Series 2005D Bonds are Variable Rate Obligations and mature November 1, 2035. The Subseries 2005D-1 Bonds initially bear interest in the Weekly Mode. The Subseries 2005D-2 Bonds initially bear interest in the Daily Mode.	
Denominations in Weekly Mode .....	\$100,000 and integral multiples of \$5,000 in excess thereof.	
Interest Payment Dates .....	The first Business Day of each month, commencing December 1, 2008.	
Tender.....	See “DESCRIPTION OF SERIES 2005D BONDS – Tender, Presentation and Purchase Provisions of the Series 2005D Bonds During the Daily Mode and the Weekly Mode” in Part I for tender provisions.	
Sources of Payment and Security.....	MTA’s pledged transportation revenues from Transit and Commuter System operations, MTA Bridges and Tunnels operating surplus, subsidies from governmental entities and certain other sources, all as described in Part II.	
Credit Enhancement and Liquidity Support.....	The payment of principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to, the Subseries 2005D-1 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-1 Initial Credit Facility) issued by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the Initial Credit Facility Issuer), pursuant to a Letter of Credit and Reimbursement Agreement, dated November 7, 2008 (the Subseries 2005D-1 Reimbursement Agreement), between MTA and the Initial Credit Facility Issuer. The Subseries 2005D-1 Initial Credit Facility is scheduled to expire on November 7, 2011, unless extended or terminated. The payment of principal of and interest on, as well as the Purchase Price on any optional or mandatory purchase date relating to, the Subseries 2005D-2 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-2 Initial Credit Facility) issued by the Initial Credit Facility Issuer pursuant to a Letter of Credit and Reimbursement Agreement, dated November 10, 2008 (the Subseries 2005D-2 Reimbursement Agreement, and together with the Subseries 2005D-1 Reimbursement Agreement, the Reimbursement Agreements), between MTA and the Initial Credit Facility Issuer. The Subseries 2005D-2 Initial Credit Facility is scheduled to expire on November 10, 2010, unless extended or earlier terminated. See “DESCRIPTION OF SERIES 2005D BONDS – Credit and Liquidity Facilities” herein.	
Registration of the Series 2005D Bonds .....	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.	
Trustee, Paying Agent and Tender Agent.....	The Bank of New York Mellon, New York, New York.	
Bond Counsel .....	Hawkins Delafield & Wood LLP, New York, New York.	
Tax Status .....	See “TAX MATTERS” in Part III.	
Expected Ratings .....	Rating Agency Moody’s: Standard & Poor’s: Fitch: See “RATINGS” in Part III.	Rating (Long-Term/Short-Term) AAA/VMIG-1 AAA/A1+ AA/F1+
Financial Advisor.....	Goldman, Sachs & Co.	
Remarketing Agents .....	Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries 2005D-1 Bonds. Morgan Stanley & Co. Incorporated is the Remarketing Agent for the Subseries 2005D-2 Bonds.	
Counsel to the Remarketing Agents.....	Winston & Strawn LLP, New York, New York.	

\* Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The MTA, the Trustee and the Remarketing Agents do not assume any responsibility for the accuracy of such numbers.

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- ***No Unauthorized Offer.*** This Remarketing Circular is not an offer to sell, or the solicitation of an offer to buy, the Series 2005D 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 2005D Bonds, except as set forth in this Remarketing Circular. No other information or representations should be relied upon.
  - ***No Contract or Investment Advice.*** This Remarketing Circular is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this Remarketing Circular and the Series 2005D Bonds being remarketed, or anything else related to this remarketing.
  - ***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 Remarketing Circular 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 Remarketing Circular, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate", "assume", "estimate", "expect", "objective", "projection", "plan", "forecast", "goal", "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date", "now", "currently", and the like are intended to mean as of the date of this Remarketing Circular.
  - ***Projections.*** The projections set forth in this Remarketing Circular 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 Remarketing Circular are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.
  - ***No Guarantee of Information by Remarketing Agents.*** The Remarketing Agents have provided the following sentence for inclusion in this Remarketing Circular: The Remarketing Agents have reviewed the information in this Remarketing Circular 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 Remarketing Agents do not guarantee the accuracy or completeness of such information.
  - ***Initial Credit Facility Issuer Information.*** Other than with respect to information concerning the Initial Credit Facility Issuer contained in Attachment 4 of this Remarketing Circular, none of the information in this Remarketing Circular has been supplied on verified by the Initial Credit Facility Issuer and the Initial Credit Facility Issuer does not make any representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2005D Bonds, or
    - the tax-exempt status of the interest on the Series 2005D Bonds.
  - ***SEC Rule 15c2-12.*** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Series 2005D Bonds to provide continuing disclosure during the period that such Series 2005D Bonds bear interest in the Daily Mode and Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.

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**Attachment 1** - Book-Entry-Only System

**Attachment 2** - Definitions

**Attachment 3** - Forms of Opinions of Bond Counsel

**Attachment 4** - Information Relating to Landesbank Hessen-Thüringen Girozentrale, New York Branch

**Information Included by Specific Cross-reference.** The following portions of MTA’s 2008 Combined Continuing Disclosure Filings, dated April 29, 2008, and filed with the repositories identified in the “INTRODUCTION — Where to Find Information” to this Remarketing Circular, are included by specific cross-reference in this Remarketing Circular, along with material that updates this Remarketing Circular and that is either filed with those repositories or, in the case of this Remarketing Circular, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the respective remarketing dates of the Series 2005D Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2007 and 2006
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2007 and 2006

The following documents have also been filed with the repositories identified in the “INTRODUCTION — Where to Find Information” and are included by specific cross-reference in this Remarketing Circular:

- MTA’s Unaudited Consolidated Financial Statements for the six-month period ended June 30, 2008
- Summary of Certain Provisions of the Transportation Resolution\*
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions\*
- Form of the Interagency Agreement\*

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\* Copies of these summaries can be found on the MTA website ([www.mta.info/mta/investor/index.html](http://www.mta.info/mta/investor/index.html)) under the caption “MTA Home—Financial Information—Investor Information.” Definitions of certain terms used in the summaries may differ from terms used in this Remarketing Circular, such as the use herein of the popular names of the MTA affiliates and subsidiaries.

## 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 2008 Combined Continuing Disclosure Filings (Appendix A), which is included by specific cross-reference in this Remarketing Circular.

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

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

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

## Where to Find Information

**Information in this Remarketing Circular.** This Remarketing Circular is organized as follows:

- **Part I** provides specific information about the Series 2005D Bonds.
- **Part II** describes the sources of payment and security for all Transportation Revenue Bonds, including the Series 2005D Bonds.
- **Part III** provides miscellaneous information relating to the Series 2005D Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2005D Bonds.
- **Attachment 2** sets forth certain defined terms used in this Remarketing Circular.
- **Attachment 3-1** is the form of opinion of Bond Counsel originally delivered in connection with the original issuance of the Series 2005D Bonds.
- **Attachment 3-2** are the forms of opinion of Bond Counsel to be delivered in connection with the remarketing of the Series 2005D Bonds.
- **Attachment 4** is information relating to the Initial Credit Facility Issuer.
- **Information Included by Specific Cross-reference** in this Remarketing Circular and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

***Bloomberg Municipal Repository***

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

***Interactive Data Pricing and Reference Data, Inc.***

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

***DPC Data Inc.***

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

***Standard & Poor's Securities Evaluations, Inc.***

55 Water Street  
45<sup>th</sup> Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this Remarketing Circular. 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 Remarketing Circular. **This Remarketing Circular, 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 2005D Bonds.**

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

## Recent Developments Affecting MTA

**Recent Financial Developments.** On July 23, 2008, MTA released its July Financial Plan for 2009-2012 and the 2009 Preliminary Budget (the Plan). The Plan included updated projections that reflect recent economic changes materially affecting tax revenues and fuel costs. The Plan also included updated State tax projections based on the State's Enacted Budget. MTA's Plan also includes proposals to balance the budget in 2009 and offset the effect of these downturns in the out years to produce gaps in 2010-2012 that will be addressed in future financial plans. Compared with the previous Financial Plan completed in February 2008 (the February Plan), three major items worsened for the two-year period 2008 and 2009:

- **Fuel and Energy Costs:** These projected costs are expected to be worse than forecast in the February Plan by \$208 million over the two year period, a 39% increase; these costs are projected to increase by \$81 million in 2008 and \$127 million in 2009. The out years are also projected to worsen by \$66 million in 2010 and \$60 million in 2011. The Plan reflected Global Insight projections as of June 2008, which assumed that prices will peak during the second half of 2009 and decline slightly thereafter.
- **Real Estate Tax Revenues:** The falling real estate market in the region, notably the sharp downturn in City commercial real estate activity, is projected to result in \$443 million in lower revenues for the two year period; \$201 million in 2008 and \$242 million in 2009. The Plan assumes that these revenues will remain in a decline during 2010 and 2011 and begin to grow in 2012. These projections are consistent with the City's Executive Budget.
- **State Taxes:** The State enacted its budget on April 8, 2008. The only material change for MTA affected the appropriation for MTA New York City Transit's and the commuter railroads' MMTOA revenues. The appropriation was \$37 million lower than expected in the 2008 Adopted Budget. This reduction resulted from late statewide reductions to State aid to localities. The State's projections issued with the Enacted Budget for taxes supporting MTTF Receipts and MMTOA Receipts (each defined below) are projected to negatively impact MTA by \$60 million for the two-years, 2008 and 2009, compared with the February Plan. Pursuant to the State's First Quarterly Update to the Financial Plan released July 30, 2008 (the First Quarterly Update), the State's projections for these taxes are forecast to worsen MTA's revenues by \$84 million in 2010 and \$121 million in 2011. The State released its Mid-Year Update to the Financial Plan on October 28, 2008 (the Mid-Year Update). MTA is currently assessing the impact of such projections; based upon the Mid-Year Update documents released by the State, it appears that the State's projections for such taxes have further deteriorated.

To address these recent downturns and the resulting gaps, MTA's July Plan proposed the following measures, which, at that time, if put into effect as currently proposed by MTA, were expected to result in a balanced 2009 budget and reduced budget gaps thereafter:

- **Proposed Internal Actions** are projected to reduce the gap by \$155 million in 2008, \$310 million in 2009, \$411 million in 2010, \$225 million in 2011 and \$361 million in 2012. These actions are projected to keep controllable operating expenses well below CPI over the Plan period. The measures include cost reductions by operating agencies of 6% over the period 2009-2012, without cutting service. (These reductions, some of which commenced in 2008, reflect a continuation of the 1.5% annual reduction begun last year.) The July Plan also assumed that the negotiation of new contracts will reflect a lower level of labor expenses than previously assumed. The Plan further anticipated that efficiency measures, notably the Business Service Center which will consolidate back office operations, will begin to yield savings by 2012. MTA also proposed reducing its subsidy to Long Island Bus by \$4 million annually, returning to the historical \$10 million allocation. Additionally, the Plan proposed

charging for Bridge and Tunnel crossings by official city, state and county vehicles, which is projected to generate \$10 million annually. Two non-recurring internal action items were also proposed: (1) MTA will make an internal loan of \$135 million to reduce the gap in 2009, as well as 2010, from available funds; and (2) MTA also has identified \$120 million that had been allocated for capital projects from the 2006 surplus but not yet committed, which is to be transferred back to the operating budget in 2008 to be used for future gap-closing. Projects that would have used these funds will instead be included in the next capital program.

- ***Proposed External Actions*** are proposed to yield additional revenues of \$40 million in 2008, \$302 million in 2009 and \$801 million, \$873 million and \$995 million, respectively in 2010-2012. These actions rely on MTA's governmental partners. A year ago, the financial plan relied on \$600 million in new State and City contributions beginning in 2010. The July Plan proposes accelerating roughly half of this contribution into 2009. The actions, described below, are suggested actions that could be taken by MTA's funding partners; other actions taken by MTA's funding partners could substitute for these examples. The Plan proposed full State and City reimbursement for school fares and senior discounts, which would generate \$104 million annually. Reduced fares to school children cost MTA \$89 million more than the current annual \$90 million subsidy from the State and the City (\$45 million each). Similarly, NYC Transit provides half-fare discounts to seniors in the peak period, which costs \$15 million more than the City's current \$13.8 million subsidy. A further proposed action is that the City and the MTA share paratransit costs equally. When the MTA assumed paratransit service responsibilities from the City in 1993, the agreement presupposed sharing costs but allowed for annual caps on the City's contribution. Demand for these services and consequent costs have grown beyond expectation. This action proposed that the paratransit costs now be borne equally. This would provide \$113 million in additional reimbursement in 2009 and grow thereafter. The plan also proposed restoration of the fall-off in State tax aid discussed above that has been adversely impacted by the economy. The State also will be asked to eliminate tax loopholes affecting real estate transactions, which is expected to generate \$50 million annually beginning in 2009.
- ***Fare/Toll Yield Changes*** are proposed, effective July 1, 2009. This represents a six-month acceleration of the effective date included in previous financial plans. The proposed change assumes that transit riders and Bridge and Tunnel drivers will contribute to closing the deficit through increased fares and tolls which would increase the revenue yields by an annualized 8% beginning in 2009. This is an increase from the 5% yield proposed in the previous plan, which would have been effective January 1, 2010, and makes up for the revenue that was lost when the last increase was reduced from 6.5% to 3.85% to hold the base transit fare at \$2.00. The proposal is projected to increase revenues by \$202 million in 2009, \$405 million in 2010, \$414 million in 2011 and \$418 million in 2012. The Plan assumed that MTA would resume biennial fare/toll increases as of January 1, 2011 to increase revenue yields by 5%, commensurate with inflationary increases; additional revenues of \$272 million in 2011 and \$281 million in 2012 are estimated to be generated.

The July Plan assumed positive closing cash balances of \$344 million in 2008 and \$15 million in 2009, which are predicated on implementing the described actions above or through adoption of other commensurate substitutions. Moreover, the Plan projected deficits in the out years of \$250 million in 2010, \$283 million in 2011 and \$318 million in 2012, which will be addressed in future financial plans. On November 20, 2008, MTA will issue its Final Proposed Budget and revised Financial Plan (the November Financial Plan), followed by Board adoption of the 2009 Budget in December. The MTA has scheduled a special meeting of the Board's Finance Committee on November 10, 2008 to discuss the major changes that have occurred since July, notably the recent unprecedented volatility of the national and regional economy and the negative impacts on MTA revenues and its State and Local funding partners, and will present alternative

options for the Board to consider in order to achieve a balanced budget in 2009. If the Board opts to raise fares and tolls in 2009, the Board would be expected to authorize public hearings no later than with the budget adoption in December and such hearings would likely take place in early 2009.

The ability of MTA to achieve the 2009 balanced budget and reduced projected budget gaps in 2010 to 2012 reflected in the July Financial Plan for 2009-2012 and as modified in the upcoming November Financial Plan which will reflect further deterioration in State and national economic conditions is dependent upon a number of factors including general economic, market and employment conditions in the State, the City and the MTA Commuter Transportation District and future actions by third parties, including MTA's governmental partners. Fuel and energy costs and other expenses beyond MTA's control are likely to remain volatile. Revenues from real estate related taxes are forecast to drop substantially and revenues from other State taxes supporting MTTF Receipts and MMTOA Receipts are also forecast to decline, but both could be reduced further than currently projected if economic conditions were to worsen. Any such worsening economic conditions could also adversely affect projected fare receipts from the Transit and Commuter Systems and toll revenues from MTA Bridges and Tunnels. The same economic conditions could also negatively affect the ability and willingness of the State and the City to undertake the actions assumed to be taken by them in the July Financial Plan or other actions needed to achieve the results projected in the July Financial Plan, or as further proposed in the November Financial Plan.

The State's First Quarterly Update revised the State's fiscal projections for the 2008-09 through 2011-12 State fiscal years that were set forth in the Enacted Budget Financial Plan issued on May 1, 2008. The First Quarterly Update reflected, among other things, updated receipt and disbursement estimates based on the Division of the Budget's revised economic forecasts for the nation and State and operating results through the first three months of the State's 2008-09 fiscal year. Information included in the First Quarterly Update indicated that taxes supporting MTTF Receipts and MMTOA Receipts are currently projected to decrease by approximately an additional \$80 million from amounts included in MTA's July Plan for calendar year 2008. The First Quarterly Update also projected additional reductions in collections of such taxes in calendar year 2009. As noted above, the State's Mid-Year Financial Plan projects still further deterioration in the State's economic condition and the MTA is currently assessing the impact of the projected reductions in tax collections reflected therein. Such assessment will be detailed in the MTA's November Financial Plan which will be publicly released and available on the MTA website. The impact of such projected reductions on actual MTTF Receipts and MMTOA Receipts for 2008 and 2009 cannot be predicted with certainty at this time.

No assurance can be given that the assumptions regarding economic conditions underlying the July Financial Plan as modified by the November Financial Plan will correspond to actual conditions or that any of the actions assumed to be taken by the State or the City will be taken or will be taken at the times assumed in the July Financial Plan, as modified by the November Financial Plan.

**Commission on MTA Financing.** On June 10, 2008, the Governor appointed a commission to study the MTA's funding needs and solutions. The Commission on MTA Financing, headed by former MTA chairman Richard Ravitch, is charged with recommending strategies to fund MTA capital projects and operating needs over the next ten years. The Commission has held a number of meetings thus far and is continuing to deliberate. A report is expected the first week of December.

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

**West Side Yards.** On May 22, 2008 the MTA Board authorized the conditional designation of Related Companies/Goldman Sachs (Related/Goldman) to develop the air space over the two development sites that comprise the MTA's John D. Caemmerer Rail Yard - the Western Rail Yard (WRY) and the Eastern Rail Yard

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

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## **PART I. SERIES 2005D BONDS**

Part I of this Remarketing Circular, together with the Summary of Terms, provides specific information about the Series 2005D Bonds.

### **REMARKETING PLAN**

In light of current market conditions, MTA has decided to replace the insurance policy providing credit support for the Subseries 2005D-1 Bonds and the Subseries 2005D-2 Bonds (redesignated collectively, as the Subseries 2005D-1 Bonds) issued by CIFG Assurance North America, Inc. (CIFG) and the insurance policy providing credit support for the Subseries 2005D-3 Bonds and the Subseries 2005D-4 Bonds (redesignated collectively, as the Subseries 2005D-2 Bonds, and together with the Subseries 2005D-1 Bonds, the Series 2005D Bonds) issued by Financial Security Assurance Inc. (FSA) with irrevocable direct-pay letters of credit providing both credit and liquidity support for the related subseries of the Series 2005D Bonds being reoffered in two subseries.

On or prior to November 7, 2008, (i) the Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds will be subject to mandatory tender (the Mandatory Purchase Date (CIFG Insured Bonds)) at a purchase price equal to the principal amount thereof and remarketed as Subseries 2005D-1 Bonds, (ii) MTA expects to convert the Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds to bonds bearing interest in the Weekly Mode and to enter into a conversion purchase agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, with respect to the remarketing of the Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds, (iii) the CIFG insurance policy relating to the Subseries 2005D-1 Bonds and Subseries 2005D-2 Bonds will be terminated, and (iv) Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the Initial Credit Facility Issuer), will issue an irrevocable direct pay letter of credit providing liquidity and credit support for the redesignated Series 2005D-1 Bonds, as described herein (the Subseries 2005D-1 Initial Credit Facility). The Mandatory Purchase Date (CIFG Insured Bonds) is also an Interest Payment Date and interest will be paid in the ordinary course. On and after such Mandatory Purchase Date (CIFG Insured Bonds), the CIFG insurance policy will be terminated and registered owners of the redesignated Subseries 2005D-1 Bonds will have no claim against such insurance policy.

On or prior to November 10, 2008, (i) the Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds will be subject to mandatory tender (the Mandatory Purchase Date (FSA Insured Bonds), and together with the Mandatory Purchase Date (CIFG Insured Bonds), the Mandatory Purchase Dates) at a purchase price equal to the principal amount thereof and remarketed as Subseries 2005D-2 Bonds, (ii) MTA expects to convert the Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds to bonds bearing interest in the Daily Mode and to enter into a conversion purchase agreement with Morgan Stanley & Co. Incorporated, with respect to the remarketing of the Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds, (iii) the FSA insurance policy relating to the Subseries 2005D-3 Bonds and Subseries 2005D-4 Bonds will be terminated; and (iv) the Initial Credit Facility Issuer will issue an irrevocable direct-pay letter of credit providing liquidity and credit support for the redesignated Subseries 2005D-2 Bonds, as described herein (the Subseries 2005D-2 Initial Credit Facility, and together with the Subseries 2005D-1 Initial Credit Facility, the Initial Credit Facilities). The Mandatory Purchase Date (FSA Insured Bonds) is also an Interest Payment Date and interest will be paid in the ordinary course. On and after such Mandatory Purchase Date (FSA Insured Bonds), the FSA insurance policy will be terminated and registered owners of the redesignated Subseries 2005D-2 Bonds will have no claim against such insurance policy.

MTA is amending the Certificate of Determination delivered in connection with the original issuance of the Series 2005D Bonds pursuant to the supplemental resolution relating to the Series 2005D Bonds to (i) reflect that the insurance policies have been terminated and will no longer be in effect after each of the Mandatory Purchase Date (FSA Insured Bonds) and Mandatory Purchase Date (CIFG Insured Bonds), and

(ii) modify the terms and provisions of the Series 2005D Bonds to reflect the terms and provisions described herein. In connection with the remarketing of the Series 2005D Bonds, the Remarketing Agents will consent to such amendments. ***By acceptance of a confirmation of purchase on the respective Mandatory Purchase Dates of the Series 2005D, each beneficial owner will be deemed to have acknowledged (i) the cancellation and termination of the CIFG insurance policy and the FSA insurance policy, (ii) that such beneficial owner will have recourse to neither the CIFG insurance policy nor the FSA insurance policy for payment of interest or principal on the Series 2005D, and (iii) that the amendments to the Certificate of Determination reflecting such termination and incorporating the terms and provisions of the Series 2005D Bonds described herein will be applicable to such Bonds.***

## DESCRIPTION OF SERIES 2005D BONDS

Unless the context otherwise indicates, references in the following description to the “Series 2005D Bonds” apply to each subseries of the Series 2005D Bonds independently. Actions may be taken, or determinations made, with respect to one subseries that are not taken or made with respect to any other.

### General

***Variable Rate Bonds.*** The Series 2005D Bonds, mature on November 1, 2035, constitute Variable Interest Rate Obligations and are subject to mandatory sinking fund redemption as set forth below under “Redemption Provisions”. The Subseries 2005D-1 Bonds will bear interest in the Weekly Mode. The Subseries 2005D-2 Bonds will bear interest in the Daily Mode. The Series 2005D Bonds of each subseries will bear interest at rates determined by the Remarketing Agents on the day prior to the closing and, thereafter, at the rates determined by the Remarketing Agents as described below. **This Remarketing Circular, in general, describes the Subseries 2005D-1 Bonds only during the Weekly Mode and the Subseries 2005D-2 Bonds only during the Daily Mode. In the event MTA elects to convert either subseries of the Series 2005D Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2005D Bonds is paid in arrears and is computed upon the basis of a 365-day year (366 in years when February has 29 days), for the number of days actually elapsed. The maximum rate of interest on the Series 2005D Bonds of each subseries (other than Bank Bonds, as hereinafter described) at any time, whether before or after the maturity thereof, is 12% per annum (the Maximum Rate). “Bank Bonds” are Series 2005D Bonds held by the Initial Credit Facility Issuer or any successor or assign (the Credit Facility Issuer) as a result of a draw on either of the Initial Credit Facilities or any replacement thereof (each a Credit Facility) to pay the Purchase Price (as hereinafter defined) with respect to the related subseries of Series 2005D Bonds that have been tendered and not remarketed and may bear interest at a rate of up to 25% per annum.

MTA has appointed the following firms as Remarketing Agents in connection with the remarketing of the related subseries of the Series 2005D Bonds:

- Subseries 2005D-1 — Merrill Lynch, Pierce, Fenner & Smith Incorporated
- Subseries 2005D-2 — Morgan Stanley & Co. Incorporated

Each Remarketing Agent will determine the interest rate on its subseries of the Series 2005D Bonds separately and will remarket such subseries of the Series 2005D Bonds tendered or required to be tendered for purchase on a best efforts basis. Each Remarketing Agent may be removed or replaced by MTA in accordance with the applicable Remarketing Agreement. Pursuant to the Remarketing Agreements, a Remarketing Agent may suspend its obligation to remarket the applicable subseries of Series 2005D Bonds upon occurrence of a default of any Credit Facility Issuer under the related Credit Facility or termination of the Credit Facility securing a subseries.

**Payment of Series 2005D Bonds Purchase Price.** The payment of principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to the Subseries 2005D-1 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-1 Initial Credit Facility) issued by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the Initial Credit Facility Issuer), pursuant to a Letter of Credit and Reimbursement Agreement dated November 7, 2008, (the Subseries 2005D-1 Reimbursement Agreement) between MTA and the Initial Credit Facility Issuer. The payment of principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to the Subseries 2005D-2 Bonds is secured by an irrevocable direct-pay letter of credit (the Subseries 2005D-2 Initial Credit Facility) issued by the Initial Credit Facility Issuer, pursuant to a Letter of Credit and Reimbursement Agreement dated November 10, 2008, (the Subseries 2005D-2 Reimbursement Agreement) between MTA and the Initial Credit Facility Issuer.

For more information relating to the Initial Credit Facility Issuer, see **Attachment 4**.

The Purchase Price on each subseries of the Series 2005D Bonds is payable solely from the proceeds of remarketing such subseries by the related Remarketing Agent and from the proceeds from draws under the related Initial Credit Facility. Although MTA has the option to purchase Series 2005D Bonds that have been neither remarketed nor purchased by the Initial Credit Facility Issuer, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent or the Remarketing Agents and failure to make such payment shall not constitute an Event of Default under the Transportation Resolution. See “Source of Funds for Purchase of Series 2005D Bonds” below.

The Subseries 2005D-1 Initial Credit Facility is scheduled to expire on November 7, 2011 and the Subseries 2005D-2 Initial Credit Facility is scheduled to expire on November 10, 2010, unless extended or earlier terminated (in certain cases without notice) in accordance with their respective terms. See “Credit and Liquidity Enhancement” below.

**Credit and Liquidity Enhancement.** Payment of principal of and interest on, and Purchase Price for, the Subseries 2005D-1 Bonds when due is secured by the Subseries 2005D-1 Initial Credit Facility. The Subseries 2005D-1 Initial Credit Facility is an irrevocable, direct-pay letter of credit that provides both credit and liquidity support for the Subseries 2005D-1 Bonds. Payment of principal of and interest on, and Purchase Price for, the Subseries 2005D-2 Bonds when due is secured by the Subseries 2005D-2 Initial Credit Facility. The Subseries 2005D-2 Initial Credit Facility is an irrevocable, direct-pay letter of credit that provides both credit and liquidity support for the Subseries 2005D-2 Bonds. See “Credit and Liquidity Facilities” below.

**Book-Entry-Only System.** The Series 2005D Bonds were issued as registered bonds, registered in the name of The Depository Trust Company or its nominee (together, DTC), New York, New York, which acts as securities depository for the Series 2005D Bonds. During the period in which the Series 2005D Bonds bear interest in the Weekly Mode and Daily Mode, as applicable, individual purchases will be made in book-entry-only form, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof (Authorized Denominations). So long as DTC is the registered owner of the Series 2005D Bonds, all payments on the Series 2005D Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1** — “Book-Entry Only System.”

**Interest Payments.** Interest on the Series 2005D Bonds is payable on the first Business Day of each month, commencing December 1, 2008. So long as DTC is the sole registered owner of all of the Series 2005D Bonds, all interest payments will be made to DTC by wire transfer of immediately available funds, and DTC’s participants will be responsible for payment of interest to beneficial owners. All Series 2005D Bonds are fully registered in Authorized Denominations.

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

**Trustee, Paying Agent and Tender Agent.** The Bank of New York Mellon, is Trustee, Paying Agent and Tender Agent with respect to the Series 2005D Bonds.

### **Terms Relating to Weekly Mode and Daily Mode**

**Determination of Interest Rates in the Weekly Mode.** The interest rate for the Subseries 2005D-1 Bonds in a Weekly Mode shall be determined by the Remarketing Agent on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the Rate Determination Date). The interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Subseries 2005D-1 Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The interest rate shall be effective on Thursday and shall continue in effect through the next succeeding Wednesday (the Interest Period), provided that if any Subseries 2005D-1 Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Subseries 2005D-1 Bonds shall continue in effect only until the day preceding the applicable Mode Change Date.

**Determination of Interest Rates in the Daily Mode.** The interest rate for the Subseries 2005D-2 Bonds in the Daily Mode shall be the rate of interest per annum determined by the Remarketing Agent on or before 10:00 a.m. on each Business Day as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing marketing conditions, result in the sale of the Subseries 2005D-2 Bonds in the Daily Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any.

**Failure to Determine Interest Rate for Series 2005D Bonds During Weekly Mode or Daily Mode.** In the event a Remarketing Agent fails to determine the interest rate or the method of determining the interest rate is held to be unenforceable by a court of law of competent jurisdiction, the related subseries of Series 2005D Bonds will bear interest at the Alternate Rate for subsequent Interest Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel.

The Alternate Rate is 110% of:

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

Provided however, (a) if there has been a failure to pay the Purchase Price for the Series 2005D Bonds tendered for purchase, and (b) if there is no Remarketing Agent or the Remarketing Agent has suspended the remarketing pursuant to the terms of the Remarketing Agreement, the Alternate Rate will be the Maximum Rate.

No Series 2005D Bond (other than a Bank Bond) may at any time bear interest at a rate that is in excess of 12%. No Bank Bond may at any time bear interest at a rate that is in excess of 25%.

**Binding Effect.** Each determination of the interest rate for the Series 2005D Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2005D Bonds of each subseries, MTA, the applicable Remarketing Agent, the Tender Agent, the Credit Facility Issuer and the Trustee.

## **Changes in Mode**

**General.** Any Series 2005D Bonds of a subseries may be changed to any other Mode at the times and in the manner as summarized herein.

**Notice of Intention to Change Mode.** MTA shall give written notice to the Trustee, the Tender Agent, the Remarketing Agents and the Initial Credit Facility Issuer (the Notice Parties) of its intention to effect a change in the Mode from the Mode then prevailing (the Current Mode) to another Mode (the New Mode) specified in such written notice, together with the proposed effective date of such change in the Mode (the Mode Change Date). Such notice shall be given at least 20 days prior to the Mode Change Date.

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

1. The Mode Change Date must be a Business Day.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee and the Remarketing Agents a letter from Bond Counsel addressed to the Trustee and the Remarketing Agents (with a copy to all other Notice Parties) to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 10:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
  - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
  - unless the existing Tender Agency Agreement and Remarketing Agreement(s) is effective on the Mode Change Date, a Tender Agency Agreement, an Auction Agreement and/or a Remarketing Agreement if required for the New Mode, and
  - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2005D Bonds tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof.
4. If all conditions to the Mode change are met, the interest period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent.
5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2005D Bonds that are the subject of the Mode change:
  - will be subject to mandatory tender for purchase, and
  - will continue to be in the then applicable Mode.

***Rescission of Election to Change from One Mode to Another.*** MTA may rescind any election to change the Mode as described above prior to the Mode Change Date of the effected subseries by giving written notice thereof to the Notice Parties and to the holders of the related Series 2005D Bonds prior to 10:00 A.M. on the Business Day preceding such Mode Change Date. If the notice of such rescission is given by MTA, then such notice of change in Mode shall be of no force and effect and such Mandatory Purchase shall not occur.

### **Tender, Presentation and Purchase Provisions of the Series 2005D Bonds During the Daily Mode and Weekly Mode**

***Purchase on Demand of Owners of Series 2005D Bonds in Daily Mode.*** The Owners of the Series 2005D Bonds in a Daily Mode that are not Bank Bonds may elect to have such Series 2005D Bonds (or portions thereof in Authorized Denominations) purchased on a Business Day at a price (the Purchase Price) equal to the principal amount so tendered plus accrued interest (if the Purchase Date is not an Interest Payment Date) upon delivery of a written notice of tender by the Owner (the Tender Notice), or telephonic notice of tender to the Tender Agent and the Remarketing Agent, promptly confirmed in writing to the Tender Agent and the Remarketing Agent at their respective principal offices, by telecopier by 11:00 a.m., which states the number and principal amount of such Series 2005D Bond being tendered and the Purchase Date specified by the Owner. The Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and that tender shall occur on the Purchase Date specified in that Tender Notice. The Tender Agent shall immediately, notify the Trustee and the (Initial Credit Facility Issuer) of the receipt of any Tender Notice.

***Purchase on Demand of Owners of Series 2005D Bonds in Weekly Mode.*** The Owners of the Series 2005D Bonds in a Weekly Mode that are not Bank Bonds may elect to have such Series 2005D Bonds (or portions thereof in Authorized Denominations) purchased on a Business Day at a price (the Purchase Price) equal to the principal amount so tendered plus accrued interest (if the Purchase Date is not an Interest Payment Date) upon delivery of a written notice of tender by the Owner (the Tender Notice), or telephonic notice of tender to the Tender Agent and the Remarketing Agent, promptly confirmed in writing to the Tender Agent and the Remarketing Agent at their respective principal offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. The Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and that tender shall occur on the Purchase Date specified in that Tender Notice. The Tender Agent shall notify the Trustee by the close of business on the next succeeding Business Day of the receipt of any Tender Notice.

During any period that Series 2005D Bonds are registered in the name of DTC or a nominee thereof pursuant to the Transportation Resolution,

- any Tender Notice delivered as described in the immediately preceding paragraph shall identify the DTC Participant through whom the beneficial owner will direct transfer;
- on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Series 2005D Bond on the records of DTC, and
- it shall not be necessary for Series 2005D Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2005D Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing that notice of tender is the beneficial owner of Series 2005D Bonds tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in

accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of Series 2005D Bonds.

***Mandatory Purchase on any Mode Change Date.*** Except for Bank Bonds, the Series 2005D Bonds to be changed to any Mode from any other Mode are subject to a mandatory tender for purchase on the Mode Change Date at the Purchase Price equal to the principal amount thereof.

***Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date.*** Except for Bank Bonds, the Series 2005D Bonds of a subseries are subject to mandatory tender for purchase on:

- the second Business Day preceding the Expiration Date of a Credit Facility, which second Business Day is hereinafter referred to as an Expiration Tender Date;
- the fifth calendar day (or if such day is not a Business Day, the preceding Business Day), following the receipt by the Trustee of a written notice from the Credit Facility Issuer of the Termination Date of a Credit Facility, which fifth calendar day is hereinafter referred to as a Termination Tender Date, if the Credit Facility permits a draw thereon on the Termination Tender Date;
- the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Trustee of a written notice from the Credit Facility Issuer that the Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Credit Facility required with respect to the Series 2005D Bonds, which fifth calendar day is hereinafter referred to as an “Interest Non-Reinstatement Tender Date”; and
- the Substitution Date for a Credit Facility.

A “Substitution Date” means:

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

***Notice of Mandatory Tender for Purchase.*** The Trustee shall, at least fifteen (15) days prior to the Expiration Tender Date with respect to the Series 2005D Bonds give notice of the mandatory tender on such Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

Upon receipt of a written notice from the Credit Facility Issuer or MTA that the Credit Facility supporting the Series 2005D Bonds will terminate or the obligation of such Credit Facility Issuer to purchase the Series 2005D Bonds will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2005D Bonds that is to occur on such Termination Tender Date if it has not theretofore received from the Credit Facility Issuer or MTA a notice stating that the event which resulted in the Credit Facility Issuer or MTA giving a notice of the Termination Date has been cured and that the Credit Facility Issuer or MTA has rescinded its election to terminate the Credit Facility. Notwithstanding anything to the contrary described below, such notice shall be given by Electronic Means

capable of creating a written notice. Any notice given substantially as described in this paragraph shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

Upon receipt of a written notice from the Credit Facility Issuer that the Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to the Series 2005D Bonds, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2005D Bonds on such Interest Non-Reinstatement Tender Date if it has not theretofore received from the Credit Facility Issuer a notice stating that the Credit Facility has been reinstated to an amount equal to the interest component of the Liquidity and Credit Amount. Notwithstanding anything to the contrary described below, such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as described in this paragraph shall be conclusively presumed to have been duly given, whether or not actually received by each Owner. For purposes of this Remarketing Circular, the term Liquidity and Credit Amount shall mean an amount equal to the principal of the Series 2005D Bonds plus an interest amount equal to forty-six (46) days' interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number of days elapsed.

The Trustee shall, at least fifteen (15) days prior to the Substitution Date with respect to a Credit Facility, give notice of the mandatory tender of the Series 2005D Bonds on the Substitution Date.

The Trustee shall, at least fifteen (15) days prior to any Mode Change Date, give notice of the mandatory tender for purchase of the Series 2005D Bonds that is to occur on such date.

Except as provided in the fourth and fifth immediately preceding paragraphs, notice of any mandatory tender of Series 2005D Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2005D Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify:

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such Series 2005D Bond, and
- that no further interest will accrue from and after the Mandatory Purchase Date to such Owner.

Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Series 2005D Bonds shall in addition specify the conditions that have to be satisfied pursuant to the Transportation Resolution in order for the new Mode to become effective and the consequences that the failure to satisfy any of such conditions would have.

In the event a mandatory tender of Series 2005D Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any Series 2005D Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Series 2005D Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

## **Remarketing of Series 2005D Bonds**

The applicable Remarketing Agent for each subseries of Series 2005D Bonds shall offer for sale and use its best efforts to find purchasers for (i) all Series 2005D Bonds of a subseries or portions thereof as to which a Tender Notice has been given and (ii) all Series 2005D Bonds of a subseries required to be tendered for purchase. To the extent that a Credit Facility is an irrevocable direct-pay Credit Facility (which includes each of the Initial Credit Facilities), any Series 2005D Bonds purchased with the proceeds of a Credit Facility shall not be remarketed unless such Credit Facility has been reinstated to the Liquidity and Credit Amount. No Bank Bonds shall be remarketed unless the Credit Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Series 2005D Bonds become Bank Bonds, and (y) at a price that is less than the Purchase Price of such Series 2005D Bonds.

Pursuant to each Remarketing Agreement, a Remarketing Agent may suspend remarketing of Series 2005D of a subseries upon the occurrence of a default by the Credit Facility Issuer under the related Credit Facility or upon termination or suspension of the related Credit Facility.

## **Source of Funds for Purchase of Series 2005D Bonds**

On or before 3:00 p.m. on the Purchase Date or the Mandatory Purchase Date with respect to Series 2005D Bonds of a subseries, the Tender Agent shall purchase such Series 2005D Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

- immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of Series 2005D Bonds, and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Credit Facility for Purchase Price.

Notwithstanding the foregoing, MTA shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Series 2005D Bond that is tendered or deemed tendered as described in this Remarketing Circular and the Purchase Price of which is not paid on the Purchase Date or Mandatory Purchase Date from any of the sources identified above. None of the MTA, the Trustee, the Tender Agent nor the Remarketing Agents shall have any liability or obligation to pay or, except from the sources identified above, make available such Purchase Price. The failure to pay any such Purchase Price for Series 2005D Bonds that have been tendered or deemed tendered for purchase from any of the sources identified above shall not constitute an Event of Default under the Transportation Resolution and in the case of such failure such Series 2005D Bonds shall not be purchased and shall remain in the respective Mode such Series 2005D Bonds were in prior to such failure.

## **Delivery of Remarketed Series 2005D Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed Series 2005D Bonds sold by a Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those remarketed Series 2005D Bonds by 3:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be.

## **Delivery and Payment for Purchased Series 2005D Bonds; Undelivered Series 2005D Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed Series 2005D Bonds purchased as set forth above shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase

Price of any remarketed Series 2005D Bond purchased pursuant to the optional tender provisions shall be made only if such Series 2005D Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender.

Payment of the Purchase Price will be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be, or, if the bondholder has not provided or caused to be provided wire transfer instructions, by check mailed to the bondholder at the address appearing in the books required to be kept by the Trustee pursuant to the Transportation Resolution.

If Series 2005D Bonds of a subseries to be purchased are not delivered by the bondholders to the Tender Agent by 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, the Tender Agent will hold any funds received for the purchase of those Series 2005D Bonds in trust in a separate account uninvested, and shall pay such funds to the former bondholders upon presentation of the Series 2005D Bonds subject to tender. Undelivered Series 2005D Bonds shall be deemed tendered and cease to accrue interest as to the former bondholders on the Purchase Date or Mandatory Purchase Date, as the case may be, and moneys representing the Purchase Price shall be available against delivery of those Series 2005D Bonds at the Principal Office of the Tender Agent; provided, however, that any funds so held by the Tender Agent that remain unclaimed by the former holder of any such Series 2005D Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent shall, to the extent permitted by law, upon request in writing by MTA and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to MTA free of any trust or lien and thereafter the former holder of such Series 2005D Bond shall look only to MTA and then only to the extent of the amounts so received by MTA without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Series 2005D Bonds. The Tender Agent shall authenticate a replacement Series 2005D Bond for any undelivered Series 2005D Bond which may then be remarketed by the Remarketing Agent.

### **Special Considerations Relating to the Series 2005D Bonds**

***The Remarketing Agents are Paid by MTA.*** The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing Series 2005D Bonds of the applicable subseries that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Transportation Resolution and the related Remarketing Agreement), all as further described in this Remarketing Circular. Each Remarketing Agent is appointed by MTA and is paid by MTA for its services. As a result, the interests of the Remarketing Agents may differ from those of existing bondholders and potential purchasers of Series 2005D Bonds.

***Remarketing Agents Routinely Purchase Series 2005D Bonds for their Own Account.*** Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. A Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2005D Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series 2005D Bonds in order to achieve a successful remarketing of the Series 2005D Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2005D Bonds) or for other reasons. However, a Remarketing Agent is not obligated to purchase Series 2005D Bonds, and may cease doing so at any time without notice. A Remarketing Agent may also make a market in the Series 2005D Bonds by routinely purchasing and selling Series 2005D Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, a Remarketing Agent is not required to make a market in the Series 2005D Bonds. A Remarketing Agent may also sell any Series 2005D Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2005D Bonds. The purchase of Series 2005D Bonds by a Remarketing Agent may create the appearance that there is greater third party demand for the Series 2005D Bonds in the market than is actually

the case. The practices described above also may result in fewer Series 2005D Bonds being tendered in a remarketing.

***Series 2005D Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date.*** Pursuant to the Transportation Resolution and the Remarketing Agreements, the Remarketing Agents are required to determine the applicable rate of interest that, in their respective judgments, is the lowest rate that would permit the sale of the Series 2005D Bonds of a subseries bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2005D Bonds (including whether the Remarketing Agent is willing to purchase Series 2005D Bonds for its own account). There may or may not be Series 2005D Bonds tendered and remarketed on a Rate Determination Date and the Remarketing Agent may or may not be able to remarket any Series 2005D Bonds of a subseries tendered for purchase on such date. A Remarketing Agent may sell Series 2005D Bonds of a subseries at varying prices to different investors on such date or any other date. A Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2005D Bonds of a subseries at the remarketing price. In the event a Remarketing Agent owns any Series 2005D Bonds of a subseries for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2005D Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

***The Ability to Sell the Series 2005D Bonds Other Than Through the Tender Process May Be Limited.*** A Remarketing Agent may buy and sell Series 2005D Bonds of a subseries other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Series 2005D Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2005D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2005D Bonds other than by tendering the Series 2005D Bonds in accordance with the tender process.

***A Remarketing Agent May Resign Without a Successor Being Named.*** A Remarketing Agent may resign upon 30 days notice if a successor Remarketing Agent has been appointed and accepted such appointment. If no successor Remarketing Agent has been appointed, MTA has paid to the Remarketing Agent all fees payable pursuant to the Remarketing Agreement at the time required, and it is not then illegal under applicable law for the Remarketing Agent to serve as Remarketing Agent, such 30-day period will be extended to the earlier of the date a new Remarketing Agent has been appointed and accepted such appointment or sixty (60) days from the date notice of resignation was delivered.

## **Redemption Provisions**

The Series 2005D Bonds are redeemable prior to maturity on such dates and at such prices during the Daily Mode and the Weekly Mode as are set forth below.

***Mandatory Sinking Fund Redemption.*** The Series 2005D Bonds are subject to redemption in part on November 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year set forth below the principal amount of such respective Series 2005D Bonds specified for each of the years shown below:

<u>Sinking Fund Installments</u>		
	Subseries	Subseries
<u>November 1</u>	<u>2005D-1</u>	<u>2005D-2</u>
2016	\$ 1,875,000	\$ 1,250,000
2017	5,375,000	3,575,000

<u>November 1</u>	Subseries <u>2005D-1</u>	Subseries <u>2005D-2</u>
2018	5,575,000	3,700,000
2019	5,800,000	3,875,000
2020	6,025,000	4,000,000
2021	6,250,000	4,175,000
2022	6,500,000	4,325,000
2023	6,775,000	4,500,000
2024	7,050,000	4,700,000
2025	7,325,000	4,875,000
2026	7,625,000	5,075,000
2027	7,925,000	5,275,000
2028	8,250,000	5,500,000
2029	8,575,000	5,700,000
2030	8,925,000	5,950,000
2031	9,250,000	6,175,000
2032	9,625,000	6,425,000
2033	10,025,000	6,675,000
2034	10,425,000	6,975,000
2035*	10,825,000	7,275,000

\*Final maturity

***Credit Toward Mandatory Sinking Fund Redemption.*** MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and if taken, will thereafter reduce the amount of Series 2005D Bonds of any subseries otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase term Series 2005D Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due for the related subseries.
- If MTA purchases or redeems Series 2005D Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installments for the related subseries in any order, and in any annual amount, that the MTA may direct.

***Optional Redemption.*** The Series 2005D Bonds of each subseries are subject to redemption prior to maturity as a whole or in part (in accordance with procedures of DTC, so long as DTC is the Owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper), on any Business Day, subject to applicable notice, at a Redemption Price equal to the principal amount thereof, without premium, plus accrued interest up to but not including the redemption date. If any such optional redemption shall occur, MTA will redeem Bank Bonds first.

***State and City Redemption.*** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem Series 2005D 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 2005D Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2005D 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 2005D Bonds, as a whole, but only in accordance with the terms upon which the Series 2005D Bonds are otherwise redeemable.

**Redemption of Bank Bonds.** The Bank Bonds shall be subject to optional and mandatory redemption under the same terms and conditions as provided with respect to other Series 2005D Bonds. The Bank Bonds shall also be subject to mandatory redemption at the times and under the terms and conditions as provided in the Credit Facility relating to such Bank Bonds.

**Redemption in Part; Bank Bonds To Be Redeemed First.** In the event of a redemption of less than all the Series 2005D Bonds of a subseries, the Trustee shall in accordance with the Transportation Resolution first select for redemption all then outstanding Bank Bonds prior to selecting for redemption any Series 2005D Bonds of such subseries which are not Bank Bonds unless the Credit Facility Issuer shall be in default under the Credit Facility, in which case, the Trustee shall, at the written direction of MTA, select for redemption all then outstanding Series 2005D Bonds of such subseries in accordance with such direction.

**Redemption Notices.** So long as DTC is the securities depository for the Series 2005D Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2005D 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 2005D 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.**

**Redemption Process.** If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2005D 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 2005D Bonds, then on the redemption date the Series 2005D 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 2005D Bonds called for redemption, thereafter, no interest will accrue on those Series 2005D Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2005D Bonds.

## **Amendments**

The provisions of the Transportation Resolution, with respect to the Series 2005D Bonds, may be modified or amended pursuant to the Transportation Resolution by obtaining, when required by the Transportation Resolution, the consent of the Owners of all Series 2005D Bonds or, in lieu thereof as permitted by the Transportation Resolution, the Credit Facility Issuer. All Owners of the Series 2005D Bonds will be deemed to have consented to a modification or amendment if on the 30<sup>th</sup> day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Trustee mailed notice of such proposed modification or amendment to the Owners of the Series 2005D Bonds there is delivered to the Trustee –

- a certificate of the Tender Agent to the effect that all Series 2005D Bonds that have been optionally tendered for purchase by their Owners after the date on which the Trustee mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof,
- a written consent of the Remarketing Agent to the proposed modification or amendment, and
- a Favorable Opinion of Bond Counsel.

## Credit and Liquidity Facilities

*Unless the context otherwise indicates, references in the following description to the “Series 2005D Bonds” apply to the Subseries 2005D-1 and Subseries 2005D-2 independently, as appropriate.*

**General Description.** Each Initial Credit Facility will be issued by the Initial Credit Facility Issuer pursuant to the respective Reimbursement Agreement. The following summarizes certain provisions of each Initial Credit Facility and each respective Reimbursement Agreement and does not purport to be complete or definitive and reference to such documents is made for the complete provisions thereof. See **Attachment 4** – “Initial Credit Facility Issuer”, for information regarding the Initial Credit Facility Issuer. In the event the Initial Credit Facility Issuer terminates an Initial Credit Facility in accordance with the terms of the respective Reimbursement Agreement, the related subseries of Series 2005D Bonds will be subject to mandatory purchase as described above under “Tender, Presentation and Purchase Provisions of the Series 2005D Bonds During the Daily Mode and Weekly Mode—*Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date.*”

The Series 2005D Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2005D Bonds of a subseries tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2005D Bonds) will be funded only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Initial Credit Facility. Although the MTA has the option to purchase a subseries of 2005D Bonds that have been neither remarketed nor purchased by the Initial Credit Facility Issuer, it is not obligated to do so. See “Tender, Presentation and Purchase Provisions of the Series 2005D Bonds During the Daily Mode and Weekly Mode” and “Source of Funds for Purchase of Series 2005D Bonds” above.

Subject to certain conditions described below, the Initial Credit Facility Issuer will purchase from time to time during the period from the date of delivery of the Subseries 2005D-1 Bonds to and including November 7, 2011 (unless extended) or earlier termination of the Subseries 2005D-1 Initial Credit Facility, any tendered Subseries 2005D-1 Bonds which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the Transportation Resolution. The Subseries 2005D-1 Initial Credit Facility will terminate on the earliest of (i) the honoring by the Initial Credit Facility Issuer of the final drawing available to be made under the Subseries 2005D-1 Initial Credit Facility, (ii) receipt by the Initial Credit Facility Issuer of a notice that a substitute Credit Facility has been delivered and the Subseries 2005D-1 Initial Credit Facility has been cancelled, (iii) the date set forth in a certificate from the Initial Credit Facility Issuer that is the date that either (y) no Subseries 2005D-1 Bonds are outstanding or (z) a date that is not more than 10 nor less than 5 days after the date of receipt of such notice by the Trustee or (iv) November 7, 2011.

Subject to certain conditions described below, the Initial Credit Facility Issuer will purchase from time to time during the period from the date of delivery of the Subseries 2005D-2 Bonds to and including November 10, 2010 (unless extended) or earlier termination of the Subseries 2005D-2 Initial Credit Facility, any tendered Subseries 2005D-2 Bonds which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the Transportation Resolution. The Subseries 2005D-2 Initial Credit Facility will terminate on the earliest of (i) the honoring by the Initial Credit Facility Issuer of the final drawing available to be made under the Subseries 2005D-2 Initial Credit Facility, (ii) receipt by the Initial Credit Facility Issuer of a notice that a substitute Credit Facility has been delivered and the Subseries 2005D-2 Initial Credit Facility has been cancelled, (iii) the date set forth in a certificate from the Initial Credit Facility Issuer that is the date that either (y) no Subseries 2005D-2 Bonds are outstanding or (z) a date that is not more than 10 nor less than 5 days after the date of receipt of such notice by the Trustee or (iv) November 10, 2010.

The price to be paid by the Initial Credit Facility Issuer pursuant to the Initial Credit Facility for the respective subseries of purchased Series 2005D Bonds will be equal to the aggregate principal amount of such subseries of Series 2005D Bonds plus accrued interest thereon (up to 46 days of interest calculated at an aggregate rate not to exceed 12% per annum based on a year of 365/366 days), if any, other than defaulted interest, to the date of such purchase. Upon any purchase of Series 2005D Bonds with amounts realized under the Initial Credit Facility, the commitment of the Initial Credit Facility Issuer to purchase the related subseries of Series 2005D Bonds shall be reduced by the Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2005D Bonds from the Initial Credit Facility Issuer, all in accordance with the related Initial Credit Facility.

***Events of Default.*** Pursuant to each Reimbursement Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to each of the Reimbursement Agreements for a complete listing of all Events of Default:

- MTA (i) shall fail to pay to the Initial Credit Facility Issuer any amount (other than amounts referred to in clause (ii)) payable under the Reimbursement Agreement, including the payments of the respective letter of credit fees (as required under the related Reimbursement Agreement), and such failure shall continue for five (5) Business Days, or (ii) shall fail to pay certain other amounts pursuant to such Reimbursement Agreement, which includes the payments of the principal and interest when due on any Liquidity Advance, Purchase Price Interest Draft, Term Loan or Credit Advance or any Bank Bond (each as defined in such Reimbursement Agreement) when due; or
- the failure by MTA to perform or observe any of the other terms, covenant or agreement contained in a Reimbursement Agreement not specified in the preceding paragraph, with certain exceptions as for which no cure period shall exist, if such failure shall continue for a period of thirty (30) Business Days; except in the case of certain covenants set forth in each Reimbursement Agreement for which no cure period shall exist after written notice thereof by the Initial Credit Facility Issuer to the MTA; or
- (i) MTA shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or (ii) a case or other proceeding shall be commenced against MTA in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of MTA, or of all or a substantial part of its property, and any such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against MTA (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered; or
- any warranty, representation or other written statement made by or on behalf of MTA contained in a Reimbursement Agreement or any of the Related Documents (as defined in each Reimbursement Agreement) or in any instrument furnished in compliance with or in reference to any of the foregoing, is false or misleading in any material respect on any date when made or deemed made; or

- there shall have occurred and be continuing a default referred to in the Transportation Resolution; or
- any material provision of a Reimbursement Agreement or any of the Related Documents to which MTA is a party shall at any time for any reason cease to be valid and binding in accordance with its terms on MTA, or shall be declared to be null and void, or the validity or enforceability of a Reimbursement Agreement or any of the Related Documents shall be contested by MTA or a proceeding shall be commenced by MTA seeking to establish the invalidity or unenforceability thereof, or MTA shall deny that it has any further liability or obligation under a Reimbursement Agreement or any of the Related Documents, in each case if, in the Initial Credit Facility Issuer's sole judgment, such event would have a materially adverse effect on the Initial Credit Facility Issuer's rights under such Reimbursement Agreement; or
- a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any of MTA's indebtedness issued under the Transportation Resolution; or
- the MTA Act or the Transportation Resolution shall, for any reason, cease to be in full force and effect or shall be declared or become invalid or unenforceable in whole or in part or shall be interpreted, altered or amended in any manner that would in any of the foregoing cases materially adversely affect the obligations of MTA under a Reimbursement Agreement or the rights of the Initial Credit Facility Issuer.

**Remedies.** Upon the occurrence and continuance of an Event of Default, and notice thereof to MTA and the Trustee, the Initial Credit Facility Issuer may, in its sole discretion, but shall not be obligated to, exercise any of all of the following remedies:

- give notice of such Event of Default and direct the Trustee to immediately declare all of the applicable subseries of Series 2005D Bonds secured by the related Initial Credit Facility then outstanding subject to mandatory purchase in accordance the Certificate of Determination; and
- exercise all or any of its rights and remedies as it may otherwise have under Applicable Law (as defined in each Reimbursement Agreement) and under the affected Reimbursement Agreement and the Transportation Resolution or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer jurisdiction, either for specific performance of any covenant or agreement contained in the Transportation Resolution or the affected Reimbursement Agreement, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy.

If notice is given as described above, any Series 2005D Bonds of a subseries remarketed prior to a Remarketing Agent's receipt of such notice shall continue to be entitled to the benefit of the related Initial Credit Facility in accordance with the terms thereof, and the obligations of the MTA under certain provisions of such Initial Credit Facility shall remain in effect.

No failure or delay on the part of the Initial Credit Facility Issuer to exercise any right or remedy under a Reimbursement Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy under the Reimbursement Agreement preclude any further exercise thereof or the exercise of any further right or remedy under the Reimbursement Agreement. The remedies provided in each Reimbursement Agreement are cumulative and not exclusive of any remedies provided by law.

See "Tender, Presentation and Purchase Provisions of the Series 2005D Bonds During the Daily Mode and Weekly Mode" and "Sources of Funds for Purchase of Series 2005D Bonds" above.

## **Debt Service on the Bonds**

**Table 1** on the following page sets forth, on a cash basis, estimated debt service on an aggregate basis outstanding as of October 29, 2008.

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**Table 1**  
**Aggregate Debt Service**  
**(in thousands)<sup>1(2)</sup>**

<u>Year Ending</u> <u>November 15</u>	<u>Aggregate</u> <u>Debt Service<sup>(3)</sup></u>
2008	\$ 726,064
2009	713,145
2010	809,226
2011	792,910
2012	811,713
2013	809,430
2014	823,883
2015	823,597
2016	823,560
2017	823,944
2018	823,973
2019	820,992
2020	821,052
2021	821,128
2022	821,188
2023	829,871
2024	847,827
2025	847,953
2026	848,055
2027	848,253
2028	848,399
2029	784,142
2030	784,562
2031	784,937
2032	734,466
2033	381,359
2034	381,497
2035	352,740
2036	144,743
2037	117,045
2038	<u>63,270</u>
Total	<u>\$21,664,923</u>

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

<sup>(2)</sup> Includes the following variable rates assumptions for debt service: Series 2002D-2, Series 2005D and Series 2005E Bonds at their respective swap rates (4.45%, 3.561% and 3.561%, respectively); and Series 2002B, Series 2002D-1, Series 2002G-1 and Series 2005G Bonds at an assumed variable interest rate of 4% per annum. Assumes a variable rate of interest of 4.0% for debt service on the Series 2008B Bonds after their respective Reset Dates.

<sup>(3)</sup> Includes the assumptions set forth in footnotes 1 and 2.

## PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

*Part II* of this Remarketing Circular describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2005D Bonds.

### SOURCES OF PAYMENT

#### Pledged Transportation Revenues

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

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, 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, 2007:

- 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 and commuter 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,				
	2003	2004	2005	2006	2007
<b>Revenues from Systems Operations</b>					
Fares from Transit System	\$2,420	\$2,567	\$2,668	\$2,778	\$2,857
Fares from Commuter System	772	819	881	911	956
Fares from MTA Bus	N/A	N/A	N/A	104	160
Other Income <sup>(1)</sup>	<u>109</u>	<u>245</u>	<u>129</u>	<u>79</u>	<u>210</u>
<b>Subtotal – Operating Revenues</b>	<b>\$3,301</b>	<b>\$3,631</b>	<b>\$3,678</b>	<b>\$3,872</b>	<b>\$4,183</b>
<b>Revenues from MTA Bridges and Tunnels Surplus</b>	<b>\$ 395</b>	<b>\$ 377</b>	<b>\$ 477</b>	<b>\$ 435</b>	<b>\$ 406</b>
<b>MTA Bridges and Tunnels – Refund of Excess Debt Service Payments</b>	<b>\$ 164</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Revenues from Governmental Sources</b>					
State and Local General Operating Subsidies	380	377	415	391	396
Special Tax-Supported Operating Subsidies					
DTF Excess <sup>(2)</sup>	322	411	361	391	363
MMTOA Receipts	731	736	946	1,219	1,576
Urban Tax	177	344	551	669	883
Excess Mortgage Recording Taxes	<u>228</u>	<u>163</u>	<u>193</u>	<u>249</u>	<u>27</u>
<b>Subtotal Special Tax-Supported Operating Subsidies</b>	<b>\$1,458</b>	<b>\$1,654</b>	<b>\$2,051</b>	<b>\$2,528</b>	<b>\$2,849</b>
<b>Station Maintenance and Service Reimbursements</b>	<b>\$ 307</b>	<b>\$ 311</b>	<b>\$ 349</b>	<b>\$ 376</b>	<b>\$ 410</b>
<b>City Subsidy for MTA Bus</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>162</b>	<b>187</b>
<b>Revenues from Investment of Capital Program Funds<sup>(3)</sup></b>	<b>\$ 14</b>	<b>\$ 26</b>	<b>\$ 52</b>	<b>\$ 66</b>	<b>\$ 71</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>\$2,718</b>	<b>\$2,745</b>	<b>\$3,344</b>	<b>\$3,958</b>	<b>\$4,319</b>
<b>Total Transportation Resolution Pledged Revenues</b>	<b>\$6,019</b>	<b>\$6,376</b>	<b>\$7,022</b>	<b>\$7,830</b>	<b>\$8,502</b>
<b>Debt Service</b>	<b>\$ 257</b>	<b>\$ 389</b>	<b>\$ 506</b>	<b>\$ 629</b>	<b>\$ 681</b>
Transit Operating Expenses	\$4,161	\$4,198	\$4,483	\$4,788	5,454
Commuter Operating Expenses	1,512	1,609	1,632	\$1,731	1,954
MTA Bus Operating Expenses	N/A	N/A	N/A	315	387
<b>Total Operating Expenses</b>	<b>\$5,673</b>	<b>\$5,807</b>	<b>\$6,115</b>	<b>\$6,834</b>	<b>\$7,795</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$5,930</b>	<b>\$6,196</b>	<b>\$6,621</b>	<b>\$7,463</b>	<b>\$8,476</b>

(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. In December 2004, MTA provided MTA New York City Transit with a \$13 million subsidy from operating funds.

(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.

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

- Revenues from Systems Operations – In 2003, the level of fares increased on May 4 for the Transit System and May 1 for the Commuter System. In 2005, the level of fares increased on February 27 for the Transit System and March 1 for the Commuter System. In 2008, the level of fares increased on March 2 for the Transit System and March 1 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys. Other Income for 2006 and 2007 were affected by the timing of actual receipts by transit.
- MTA Bridges and Tunnels Surplus increased in 2003 based primarily upon the toll increases that became effective on May 18, 2003 and again in 2005 based primarily upon the toll increases that became effective on March 13, 2005. The net effect of the toll increases that became effective on March 16, 2008 on the MTA Bridges and Tunnels Surplus cannot be determined until the end of the year.
- Beginning in 2003, MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts similarly advanced. MTA continues to monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary. The increased amount of MMTOA Receipts in 2005 reflects the imposition of an additional 1/8% regional sales tax commencing June 1, 2005. MMTOA receipts from 2005 through 2008 year to date showed increased tax collections and additional appropriations to MTA from the regional sales tax.
- 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 2006 reflect the very high level of real estate sale and refinancing activity during those years. Urban Tax receipts continued to increase in 2007. Due to a weakening economy, Urban Tax collections have decreased in 2008 year to date when compared to the same period last year.
- Excess Mortgage Recording Taxes – Beginning in 2003, excess mortgage recording taxes were available for Transit and Commuter Systems purposes after the payment of MTA Headquarters Expenses. In 2007 and 2008 year to date, declining mortgage recording taxes receipts reduced Excess Mortgage Recording Tax transfers to transit and commuter when compared to the same period last year.
- 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.
- Operating Expenses – transit and commuter operating expenses increased from 2006 to 2007 and in 2008 year to date, due to increased fuel costs, increased labor costs, increased maintenance, additional costs for health and welfare, pensions, Other Post-Employment Benefits (OPEBs), energy and paratransit service.
- See "Recent Developments Affecting MTA" above for a more detailed discussion of 2008 developments.

The following **Table 3** sets forth final estimated results for 2007 and budget information for 2008 taken from the MTA 2009 Preliminary Budget and July Financial Plan 2009-2012 presented to the MTA Board on July 23, 2008 which includes the impact of the fare and toll increase which took effect in early 2008

but does not include other MTA Policy Actions, Gap Closing Measures or Cash Management Actions that have not yet been implemented. **Table 3** does not reflect any impacts to be included in the November Financial Plan. See “INTRODUCTION — Recent Developments — *Recent Financial Developments*.” The information set forth in **Table 3** is comparable to that set forth in **Table 2** with respect to the years 2003-2007.

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**Table 3**  
**Summary of 2008 Mid-Year Forecast 2008 and 2009 Preliminary Budget Pledged Revenues**  
**(Calculated in Accordance with the Transportation Resolution) and Expenses on a Cash Basis (in**  
**millions)**

	2008 Mid-Year Forecast <sup>(1)</sup>	2009 Preliminary Budget <sup>(1)</sup>
<b>Revenues from Systems Operations</b>		
Fares from Transit System	\$3,003	\$3,015
Fares from Commuter System	1,044	1,054
Fares from MTA Bus	151	155
Other Income <sup>(2)</sup>	286	220
<b>Subtotal – Operating Revenues</b>	<b>\$4,484</b>	<b>\$4,443</b>
<b>Revenues from MTA Bridges and Tunnels Surplus</b>	<b>\$ 341</b>	<b>\$ 279</b>
<b>Revenues from Governmental Sources</b>		
State and Local General Operating Subsidies	395	376
Special Tax-Supported Operating Subsidies		
DTF Excess <sup>(3)</sup>	366	401
MTOA Receipts	1,651	1,534
Urban Tax	561	484
Excess Mortgage Recording Taxes	39	0
<b>Subtotal Special Tax-Supported Operating Subsidies</b>	<b>\$2,617</b>	<b>\$2,420</b>
<b>Station Maintenance and Service Reimbursements</b>	<b>\$ 406</b>	<b>\$ 429</b>
<b>City Subsidy for MTA Bus</b>	<b>\$ 270</b>	<b>\$ 261</b>
<b>Revenues from Investment of Capital Program Funds</b>	<b>\$ 2</b>	<b>\$ 2</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>\$4,032</b>	<b>\$3,767</b>
<b>Total Transportation Resolution Pledged Revenues</b>	<b>\$8,516</b>	<b>\$8,209</b>
<b>Budgeted Debt Service</b>	<b>\$ 735</b>	<b>\$ 730</b>
Transit Operating Expenses	5,797	6,046
Commuter Operating Expenses	2,150	2,281
MTA Bus Operating Expenses	429	444
Other Expenses of the Related Entities	(1)	38
<b>Total Operating Expenses</b>	<b>\$8,375</b>	<b>\$8,808</b>
<b>Total Operating Expenses and Debt Service<sup>(5)</sup></b>	<b>\$9,110</b>	<b>\$9,538</b>

<sup>(1)</sup> Based on the MTA 2009 Preliminary Budget and July 2009-2012 Financial Plan presented to the MTA Board on July 23, 2008. This table includes the impact of the fare and toll increase commencing in early 2008 but does not include other MTA Policy Actions, Gap Closing Measures or Cash Management Actions that have not yet been implemented. See “INTRODUCTION – Recent Developments Affecting MTA – *Recent Financial Developments*.”

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.”

<sup>(4)</sup> 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) Revenues from Investment of Capital Program Funds.

<sup>(5)</sup> Estimated 2008 Mid-Year Forecast and 2009 Preliminary 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

(continued...)

The following should be noted in Table 3:

- Revenues from Governmental Sources – Urban Tax – 2008 reflects the expectation of a lower activity level of certain residential and commercial real estate transactions in the City.
- Revenues from Governmental Sources – Excess Mortgage Recording Taxes – reflects the expectation of a lower activity level of real estate activity throughout the MTA Commuter Transportation District.
- Budgeted Debt Service – In 2008, includes the benefit of reduced debt service in the amount of approximately \$19.6 million due to the cash defeasance of certain Transportation Revenue Bonds maturing in 2009.
- Other Expenses of the Related Entities – Pension expenses were reduced in 2008 due to a pension prepayment of \$200 million in 2007.

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with certain MTA policy, GAP closing and/or cash management actions are expected to result in balanced budgets for 2008 and 2009.

## Description of Pledged Revenues

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

### Revenues from Systems Operations.

- **Fares from the Transit and Commuter Systems** – For transit, while the basic local fare (excluding express bus service) was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average local fare (excluding express bus service) to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average is projected to be \$1.29 in 2008). On February 27, 2005, the Transit Authority increased the cost of a 30-unlimited ride MetroCard from \$70 to \$76, the cost of a 7-day unlimited ride from \$21 to \$24, and express bus fares from \$4 to \$5 without increasing the \$2.00 base fare. For commuter, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including 30-day MetroCards), and for senior citizens and the handicapped. On March 1, 2005, the average fare increased by 7.6% on LIRR and 6.2% on MNCRC for service between points in New York State, which resulted in an approximately 5% increase in commuter fare revenues. Connecticut fares on MNCRC increased an average of 5.5% as of January 1, 2005.

On March 2, 2008, MTA increased the cost of a 30-unlimited ride MetroCard from \$76 to \$81, the cost of a 7-day unlimited ride from \$24 to \$25, and express bus fares remain at \$5 without increasing the \$2.00 base fare. MTA also introduced a new 14-day unlimited ride subway and local bus pass which costs \$47.

On March 1, 2008, the average fare increased by 3.85% on LIRR and MNCRC for service between points in New York State. MTA also began to offer a discount Mail&Ride ticket to customers who purchase a combined monthly commuter ticket and MetroCard. MTA Long Island Rail Road and MTA Metro-North Railroad sell reduced-fare \$3.00 weekend rides between points within the City. Connecticut fares on MNCRC 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 March 16, 2008:

- **Cash tolls for passenger vehicles** – Tolls on the major facilities (Triborough, Verrazano-Narrows, Bronx-Whitestone and Throgs Neck Bridges and the two tunnels) and the Henry Hudson Bridge will increase by \$0.50 and tolls on the minor facilities (Marine Parkway-Gil Hodges and Cross Bay Veterans Memorial Bridges) increased by \$0.25. Commercial vehicle tolls also increased.

- E-ZPass tolls for passenger vehicles increased by up to 3.75% for passenger vehicles except on the Henry Hudson Bridge, where the increase is 8.6% (\$0.15). Commercial vehicle tolls also increased. Commercial vehicles that use E-ZPass receive a 25% discount off the cash toll rate which is an increase in the discount from the current 20%.

***Revenues from 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 in the MTA 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 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.
- ***Station maintenance and service reimbursements*** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support 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 (CDOT) can also affect the amount and timing of fare increases.

***Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses.*** The Transit, 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 budgets prepared in

connection with 2008 and the forecasts prepared in connection with 2009 through 2012) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

**Operating Results and Projections.** Based upon the MTA 2009 Preliminary Budget and July Financial Plan 2009-2012, the budgets of the Related Entities are expected to be substantially in balance through 2009, but there are expected to be substantial gaps thereafter. 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.

**2009-2012 Financial Plan.** The MTA 2009 Preliminary Budget and July 2009-2012 Financial Plan, the 2000-2004 MTA Capital Program, the 2005-2009 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 July 2009-2012 Financial Plan, the 2000-2004 MTA Capital program, the 2005-2009 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 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 district, could affect the ability or willingness of the States and local governments to continue to provide general operating subsidies, the City and local governments to continue to provide reimbursements and station maintenance payments, and the State to continue to make special appropriations.
- Successful court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA could adversely affect the amount of pledged revenues generated by such State taxes.

**Information Relating to the State of New York.** Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is not a part of this

Remarketing Circular. Such information is on file with each NRMSIR 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 2005D 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 repositories listed under "INTRODUCTION – Information from Repositories."

### Pledge Effected by the Resolution

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

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of transit and commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established by a supplemental obligation resolution for variable interest

rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and

- the Amended and Restated Interagency Agreement dated as of April 1, 2006, among MTA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus, MTA New York City Transit and MaBSTOA.

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

Under the Transportation Resolution, the operators of the Transit, 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).

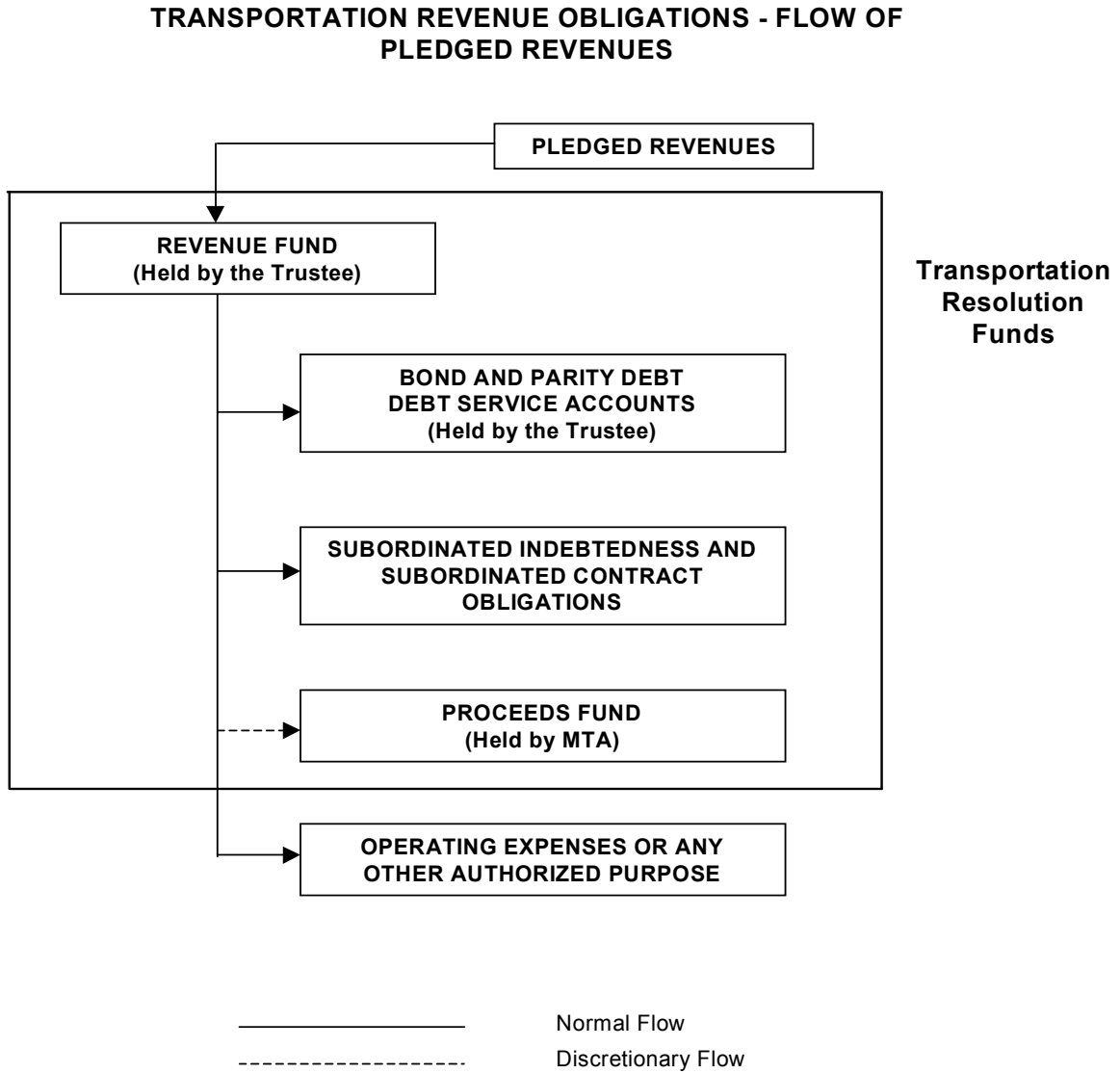
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

- 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 and Commuter Systems and MTA Bus System; 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.

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



## 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 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.

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### PART III. OTHER INFORMATION ABOUT THE SERIES 2005D BONDS

Part III of this Remarketing Circular provides miscellaneous additional information relating to the Series 2005D Bonds.

#### TAX MATTERS

Hawkins Delafield & Wood LLP is Bond Counsel for the remarketing of the Series 2005D Bonds. On November 2, 2005, the date of original issuance and delivery of the Series 2005D Bonds, Bond Counsel delivered the opinion set forth as **Attachment 3-1** (the “Approving Opinion”) which opinion is not being reissued. On the date of the remarketing of the Series 2005D Bonds, Hawkins Delafield & Wood LLP will deliver opinions substantially in the forms included in **Attachment 3-2** to the effect, in part, that the conversion of the Series 2005D Bonds, in and of itself will not adversely affect for Federal and State income tax purposes the tax treatment on the Series 2005D Bonds. The opinions speak only as of their respective dates and only as to the matters expressly stated.

The Approving Opinion provided that under existing law, relying on certain representations by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2005D Bonds is:

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

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

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

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

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

Bond Counsel has not updated its opinion since the date it was originally rendered on November 2, 2005 in connection with the original issuance of the Series 2005D Bonds. Bond Counsel is not responsible for updating its opinion after the issue date of the bonds to which such opinion relates. Although not possible to

predict as of the issue date of the Series 2005D Bonds, it is possible that something has happened or that something may happen in the future that could change the tax treatment of interest on the Series 2005D Bonds or affect the market price of the Series 2005D 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 2005D Bonds or under State, local or foreign tax law.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on the Series 2005D Bonds. If the bondholder provides the entity from whom she receives interest payments (the “payor”) with a Form W-9, “Request for Taxpayer Identification Number and Certification”, or if the bondholder is one of a limited class of exempt recipients, including corporations, these requirements will be satisfied. Other bondholders will be subject to “backup withholding”; that is, the tax due from a bondholder with respect to any interest payment on the tax-exempt obligation will be deducted and withheld by the payor.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2005D Bonds under federal or state law and could affect the market price or marketability of the Series 2005D Bonds.

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

## **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Series 2005D 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 2005D Bonds.

## **LITIGATION**

There is no pending litigation concerning the bonds being remarketed.

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 Railroad, 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.

### **FINANCIAL ADVISOR**

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2005D Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2005D Bonds. The financial advisor has not independently verified the information contained in this Remarketing Circular and does not assume responsibility for the accuracy, completeness or fairness of such information.

### **RATINGS**

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

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

MTA has furnished to each rating agency rating the Series 2005D Bonds information, including information not included in this Remarketing Circular, 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.

The short-term rating assigned to the Series 2005D Bonds will be based solely on the Initial Credit Facility supporting the Series 2005D Bonds. The long-term rating will be based jointly on the underlying rating assigned to the Series 2005D Bonds and the support provided by the Initial Credit Facility Issuer. MTA has applied for and confirmed the underlying rating of its outstanding Transportation Revenue Bonds.

### **LEGAL MATTERS**

Hawkins Delafield & Wood LLP is Bond Counsel to MTA for the remarketing of the Series 2005D Bonds. On November 2, 2005, the date of original issuance and delivery of the Series 2005D Bonds, Bond Counsel delivered the opinion set forth as **Attachment 3-1** (the Approving Opinion). Such opinion is not being reissued and speaks only of its date and only as to the matters expressly stated. On the date of the remarketing of the Series 2005D Bonds, Bond Counsel will deliver the opinions substantially in the forms set forth in **Attachment 3-2** to this Remarketing Circular.

Certain legal matters regarding MTA, MTA New York City Transit, MaBSTOA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus and MTA Bridges and Tunnels will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Remarketing Agents as indicated in the Summary of Terms.



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**ATTACHMENT 1**  
**BOOK-ENTRY-ONLY SYSTEM**

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2005D Bonds. The Series 2005D 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 2005D Bond will be issued for each subseries of the Series 2005D Bonds, each in the aggregate principal amount of such subseries, and will be deposited with DTC.

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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Series 2005D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005D 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 2005D 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 2005D Bonds, except in the event that use of the book-entry system for the Series 2005D Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2005D 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 2005D 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 2005D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005D 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 2005D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2005D Bond documents. For example, Beneficial Owners of the Series 2005D Bonds may wish to ascertain that the nominee holding the Series 2005D 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 2005D 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 2005D 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 2005D 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 2005D 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 2005D 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 2005D 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 2005D Bonds will be printed and delivered

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

## ATTACHMENT 2 DEFINITIONS

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

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

**Auction Rate Mode** means the mode during which any Series 2005D Bonds bear interest at an auction rate.

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

**Bank Bond** means any Series 2005D Bond during any period commencing on the day such Series 2005D Bond is owned by or held on behalf of the Credit Facility Issuer or its permitted assignee as a result of such Series 2005D Bond having been purchased pursuant to the Transportation Resolution from the proceeds of a draw under the Credit Facility and ending when such Series 2005D Bond is, pursuant to the provisions of the Credit Facility, no longer deemed to be a Bank Bond.

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

**Commercial Paper Mode** means the mode during which Series 2005D Bonds bear interest at a commercial paper rate or rates.

**Credit Facility** means any Credit Facility which is obtained by MTA pursuant to the Transportation Resolution and that provides for the payment of the principal of and interest on the Series 2005D Bonds, as well as the Purchase Price of Series 2005D Bonds tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time.

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

**Daily Mode** means the mode during which Series 2005D Bonds bear interest at a daily rate.

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

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

**Expiration Date** means, with respect to a Credit Facility with respect to the Series 2005D Bonds, the stated expiration date of such Credit Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Credit Facility is no longer effective by reason of its Termination Date, the date on which all Series 2005D Bonds bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Credit Facility by reason of the obtaining of an Alternate Credit Facility.

**Favorable Opinion of Bond Counsel** means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel's Opinion to the effect that such action is permitted under the Issuer Act and the Transportation Resolution and that such action will not impair the exclusion of interest on such Series 2005D Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Series 2005D Bonds).

**Fixed Rate Mode** means the mode during which Series 2005D Bonds bear interest at a fixed rate until their maturity date.

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

**Interest Period** means the period of time that any interest rate remains in effect, which period shall be the period from and including the date of the delivery of the Series 2005D Bonds to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier Wednesday of the following week or the day preceding any Mandatory Purchase Date or the maturity date.

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

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

**Mode Change Date** means, with respect to Series 2005D Bonds, the date one Mode terminates and another Mode begins.

**Notice Parties** means MTA, the Trustee, the Owners, the Remarketing Agents, the Tender Agent and the Credit Facility Issuer.

**Purchase Date** means with respect to any Series 2005D Bond, any Business Day upon which such Series 2005D Bond is optionally tendered for purchase by its holder in accordance with the Transportation Resolution.

**Rate Determination Date** means any date on which the interest rate is required to be determined, which, in the case of the Subseries 2005D-1 Bonds while bearing interest at a Weekly Rate, is each Wednesday, or if such Wednesday is not a Business Day, the next succeeding Business Day and in the case of the Subseries 2005D-2 Bonds, while bearing interest at a Daily Rate, is each Business Day.

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

**Remarketing Agent**, means Merrill Lynch, Pierce Fenner & Smith Incorporated, with respect to the Subseries 2005D-1 Bonds, and Morgan Stanley & Co. Incorporated, with respect to the Subseries 2005D-2 Bonds, and, in either case, their successors and assigns under the related Remarketing Agreement, including any substitute remarketing agents appointed pursuant to the Resolution.

**Remarketing Agreement** means each of the Remarketing Agreements dated as of November 7, 2008 for the Subseries 2005D-1 Bonds and November 10, 2008 for the Subseries 2005D-2 Bonds between MTA and the respective Remarketing Agent for the Subseries 2005D-1 Bonds and for the Subseries 2005D-2 Bonds.

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

**Term Rate Mode** means the mode during which Series 2005D Bonds bear interest at a fixed rate until the next mandatory purchase date.

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

**Transportation Resolution** means the General Resolution Authorizing Transportation Revenue Obligations, adopted by members of MTA on March 26, 2002, as amended and supplemented.

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

**Weekly Mode** means the mode during which Series 2005D Bonds bear interest at a weekly rate.

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**ATTACHMENT 3**

**FORMS OF OPINIONS OF BOND COUNSEL**

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**ATTACHMENT 3-1**

**FORM OF OPINION DELIVERED ON NOVEMBER 2, 2005  
BY HAWKINS DELAFIELD & WOOD LLP IN CONNECTION  
WITH THE ISSUANCE OF THE SERIES 2005D BONDS**

November 2, 2005

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$250,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Bonds, Series 2005D (collectively, the "Series 2005D 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 2005D Bonds are issued under and pursuant to the Constitution and statutes of the State (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "General Resolution Authorizing Transportation Revenue Obligations", as supplemented by a resolution of said members adopted on July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the "Resolution").

The Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005D Bonds in order that interest on the Series 2005D Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 of the MTA, dated the date hereof (the "Tax Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2005D Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2005D Bonds and the investment of certain funds. The Tax Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2005D 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 2005D Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2005D Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2005D Bonds, and (ii) compliance by the MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

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

We are of the opinion that:

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

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

3. The Series 2005D 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 2005D 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 2005D Bonds.

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

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

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

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

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

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 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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**ATTACHMENT 3-2**

**FORMS OF OPINION OF HAWKINS DELAFIELD & WOOD LLP EXPECTED  
TO BE DELIVERED ON THE RESPECTIVE DATES THE  
SERIES 2005D BONDS ARE REMARKETED**

November 7, 2008

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

Ladies and Gentlemen:

On November 2, 2005, we delivered our final approving opinion (the “Approving Opinion”) as bond counsel to the Metropolitan Transportation Authority (“MTA”) with respect to the issuance by MTA of its \$250,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Bonds, Series 2005D (Auction Rate Securities) issued in four subseries with the following designations and in the following principal amounts: “Transportation Revenue Variable Rate Bonds, Subseries 2005D-1” in the principal amount of \$90,000,000 (the “Subseries 2005D-1 Bonds”), “Transportation Revenue Variable Rate Bonds, Subseries 2005D-2” in the principal amount of \$60,000,000 (the “Subseries 2005D-2 Bonds”), “Transportation Revenue Variable Rate Bonds, Subseries 2005D-3” in the principal amount of \$60,000,000 (the “Subseries 2005D-3 Bonds”), and “Transportation Revenue Variable Rate Bonds, Subseries 2005D-4” in the principal amount of \$40,000,000 (the “Subseries 2005D-4 Bonds”, and together with the Subseries 2005D-1 Bonds, the Subseries 2005D-2 Bonds and the Subseries 2005D-3 Bonds, the “Series 2005D Bonds”).

The Series 2005D Bonds were 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 July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the “Resolution”).

The Series 2005D Bonds bear interest in Auction Rate Modes determined for each subseries of the Series 2005D Bonds by implementation of the Auction Rate Mode Provisions appended to the Certificate of Determination, dated as of November 2, 2005, relating to the Series 2005D Bonds (the “Certificate of Determination”). MTA has elected to convert the Mode for the Outstanding Series 2005D Bonds from the Auction Rate Mode to (y) the Weekly Mode, with respect to the Subseries 2005D-1 Bonds and the Subseries 2005D-2 Bonds on November 7, 2008 (the “Conversion”), and (z) to the Daily Mode, with respect to the Subseries 2005D-3 and the Subseries 2005D-4 Bonds on November 10, 2008 (collectively the “Reoffered Bonds”), in accordance with the provisions of the Resolutions and the Certificate of Determination. We are delivering this opinion in connection with the proposed Conversion.

We are of the opinion that the proposed Conversion of the Interest Period is permitted under the Resolutions.

We express no opinion as to whether, as of the date hereof, the interest on the Reoffered Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). We are of the opinion, however, that, under existing statutes and court decisions, the proposed Conversion, in and of itself, will not impair (a) the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any Reoffered Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code, and (b) the exemption of interest on any Reoffered Bonds from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). In rendering the foregoing opinions we have assumed the delivery of customary closing certifications (containing, among other things, certain representations and covenants) by MTA and others on or before the proposed Conversion.

Except as stated above, we express no opinion regarding any Federal, State, local or foreign tax consequences with respect to the Reoffered Bonds. We wish to advise you that our opinion is limited to the proposed Conversion and does not extend to any other event or matter occurring subsequent to the delivery of our Approving Opinion.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

In addition, please be advised that under the terms of the Resolutions, in order for the Conversion for the Bonds to take effect, a Favorable Opinion of Bond Counsel dated the date of the Conversion is required to be delivered on the date of the Conversion.

Very truly yours,

November 10, 2008

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

Ladies and Gentlemen:

On November 2, 2005, we delivered our final approving opinion (the “Approving Opinion”) as bond counsel to the Metropolitan Transportation Authority (“MTA”) with respect to the issuance by MTA of its \$250,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Bonds, Series 2005D (Auction Rate Securities) issued in four subseries with the following designations and in the following principal amounts: “Transportation Revenue Variable Rate Bonds, Subseries 2005D-1” in the principal amount of \$90,000,000 (the “Subseries 2005D-1 Bonds”), “Transportation Revenue Variable Rate Bonds, Subseries 2005D-2” in the principal amount of \$60,000,000 (the “Subseries 2005D-2 Bonds”), “Transportation Revenue Variable Rate Bonds, Subseries 2005D-3” in the principal amount of \$60,000,000 (the “Subseries 2005D-3 Bonds”), and “Transportation Revenue Variable Rate Bonds, Subseries 2005D-4” in the principal amount of \$40,000,000 (the “Subseries 2005D-4 Bonds”, and together with the Subseries 2005D-1 Bonds, the Subseries 2005D-2 Bonds and the Subseries 2005D-3 Bonds, the “Series 2005D Bonds”).

The Series 2005D Bonds were 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 July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the “Resolution”).

The Series 2005D Bonds bear interest in Auction Rate Modes determined for each subseries of the Series 2005D Bonds by implementation of the Auction Rate Mode Provisions appended to the Certificate of Determination, dated as of November 2, 2005, relating to the Series 2005D Bonds (the “Certificate of Determination”). MTA has elected to convert the Mode for the Outstanding Series 2005D Bonds from the Auction Rate Mode to (y) the Weekly Mode, with respect to the Subseries 2005D-1 Bonds and the Subseries 2005D-2 Bonds on November 7, 2008, and (z) to the Daily Mode, with respect to the Subseries 2005D-3 and the Subseries 2005D-4 Bonds on November 10, 2008 (the “Conversion”) (collectively the “Reoffered Bonds”), in accordance with the provisions of the Resolutions and the Certificate of Determination. We are delivering this opinion in connection with the proposed Conversion.

We are of the opinion that the proposed Conversion of the Interest Period is permitted under the Resolutions.

We express no opinion as to whether, as of the date hereof, the interest on the Reoffered Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). We are of the opinion, however, that, under existing statutes and court decisions, the proposed Conversion, in and of itself, will not impair (a) the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any Reoffered Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code, and (b) the exemption of interest on any Reoffered Bonds from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). In rendering the foregoing opinions we have assumed the delivery of customary closing certifications (containing, among other things, certain representations and covenants) by MTA and others on or before the proposed Conversion.

Except as stated above, we express no opinion regarding any Federal, State, local or foreign tax consequences with respect to the Reoffered Bonds. We wish to advise you that our opinion is limited to the proposed Conversion and does not extend to any other event or matter occurring subsequent to the delivery of our Approving Opinion.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

In addition, please be advised that under the terms of the Resolutions, in order for the Conversion for the Bonds to take effect, a Favorable Opinion of Bond Counsel dated the date of the Conversion is required to be delivered on the date of the Conversion.

Very truly yours,

## ATTACHMENT 4

### INFORMATION RELATING TO LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE, NEW YORK BRANCH

The Initial Credit Facility Issuer is the New York Branch of Landesbank Hessen-Thüringen Girozentrale (“Helaba”). Helaba took its present name on July 1, 1992 upon the effectiveness of the Treaty on the Formation of a Joint Savings Banks Organization (the “State Treaty”) between the German federal states of Hesse and Thuringia. The former Hessische Landesbank was formed in 1953 by the merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (founded 1840), and Landeskreditkasse zu Kassel (founded 1832).

Helaba is a legal entity under German public law. Helaba is owned by the German states of Hesse and Thuringia as well as the Savings Banks and Giro Association Hesse-Thuringia (Sparkassen- und Giroverband Hessen-Thüringen - SGVHT) (the “Association”), a joint institution of the municipal savings banks in the states of Hesse and Thuringia. The savings banks are at the same time customers, owners and partners of Helaba.

Helaba is subject to governmental supervision and regulation by the Federal Financial Services Supervisory Authority, an independent authority with regulatory powers, with the assistance of the Deutsche Bundesbank under the German Banking Act of July 10, 1961, as amended. State supervision of Helaba and the Association is exercised by the Thuringian Ministry of Finance and the Hessian Ministry for Economics. Executive bodies of Helaba are the Board of Owners, the Supervisory Board and the Board of Managing Directors.

Helaba is dual headquartered in Frankfurt/Main and Erfurt with its primary business office in Frankfurt/Main. Helaba has the following three lines of business:

- “Multinational Corporations & Investment Banking” activities concentrate on Financial Institutions and Public Finance, Real Estate, Corporate Finance, Global Markets, Asset Management and Transactions Business.
- “Private Customers & SME Business” serves as a central product supplier and services platform for the S-Group savings banks (“*S-Gruppe Sparkassen*”) in Hesse and Thuringia.
- “Public Development & Infrastructure Business” undertakes public development functions on behalf of the State of Hesse via the “*Landestreuhandstelle Hessen - Bank für Infrastruktur*” (*LTH - Bank für Infrastruktur*) – a legally dependent entity within Helaba.

The Bank’s business outside of Germany is conducted by branches in New York, London and Dublin, a subsidiary Helaba Dublin Landesbank Hessen-Thüringen International, joint ventures LB(Swiss) Privatbank AG and Banque LBLux S.A., and representative offices in Madrid, Moscow, Shanghai and Paris and it is the bank’s intent to upgrade the Paris representative office to full branch status. The New York Branch of Helaba, licensed under New York law, was established over 25 years ago and provides a full range of wholesale commercial banking services throughout North America.

On 16 April 2008, Helaba announced that it finished fiscal 2007 with a Group annual result under IFRS of € 353 m, which is only just short of the previous year’s figure (2006: € 367 m). The total comprehensive income under IFRS increased from € 337 m to € 369 m, a rise of 9.5 percent. Valuation losses of € 300 m (€ 250 m under HGB/German GAAP) resulting from the crisis in the financial markets have been fully recognized in the income statement. The amount to be allocated to retained earnings has been increased by € 30 m to € 250 m. The Helaba Group’s total assets grew by 9 percent to € 174 bn and the overall volume of business rose by 9.8 percent to € 224.7 bn. This growth was powered by loans and advances to customers, which were up 15.3 percent to €80.4 bn. The financial indicators developed as follows in fiscal 2007: return on equity before taxes slipped from 11.4 percent to 8.7 percent; the cost-income ratio rose from 63.1 percent to

68.8 percent; the total capital ratio as defined in the German Solvency Regulation (SolvV) reached 11.4 percent (2006: 11.2 percent); and the core capital ratio per the SolvV improved slightly to 6.5 percent (2006: 6.4 percent).

Helaba will provide without charge a copy of its most recent Annual Report. Requests should be directed to Landesbank Hessen-Thüringen Girozentrale, New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256, Attention: Public Finance and Financial Institutions. The most current published financial information may also be obtained via Helaba's website: [www.helaba.de](http://www.helaba.de).

The Brussels I agreement between the European Commission, the German federal government and the German states on July 17, 2001 provides for the abolition or replacement, following a transitional phase, of the maintenance obligation (Anstaltslast) and statutory guarantee (Gewährträgerhaftung). On July 19, 2005, maintenance obligation was replaced by a 'normal market ownership structure' between the owners and Helaba. The statutory guarantee is scheduled to expire as follows: obligations that existed on July 18, 2001 will continue to be subject to statutory guarantee. This applies irrespective of their maturity. Obligations incurred after July 18, 2001 but prior to July 19, 2005 are covered in full by statutory guarantee so long as their maturity is on or before December 31, 2015. Obligations incurred after July 18, 2005 do not benefit from a statutory guarantee.

Helaba's long-term credit ratings without benefit of the statutory guaranty are currently "Aa2" from Moody's Investors Service, 'A' from Standard & Poor's Rating Services, and 'A+' from Fitch Ratings. Helaba's short-term credit ratings are 'P-1' from Moody's, 'A-1' from Standard & Poor's and 'F1+' from Fitch. Long-term credit ratings of 'Aaa' from Moody's, 'AAA' from Fitch, 'AA' from Standard & Poor's and short-term credit ratings of 'P-1' from Moody's, 'F1+' from Fitch, 'A-1+' from Standard & Poor's apply for Helaba's obligations that are subject to statutory guarantee.

Helaba has supplied information relating to it in the previous paragraphs. Helaba does not accept any responsibility for any information contained in this Remarketing Circular other than the information relating to Helaba.

***NOTE: The official (FOREX fixing) exchange rate on December 28, 2007, the last trading day in 2007, was €1.00 = US \$1.4701 (US\$1.00 = €0.6802)***





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