



\$410,000,000
METROPOLITAN TRANSPORTATION AUTHORITY
Dedicated Tax Fund Bonds, Series 2006B

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2006B Bonds are being issued to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2006B Bonds –

- are MTA's special, not general, obligations, payable solely from the State taxes deposited into the Pledged Amounts Account of the Metropolitan Transportation Authority Dedicated Tax Fund as described herein, and
- are not a debt of the State or The City of New York or any other local government unit.

MTA has no taxing power.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2006B Bonds is

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

Also in Bond Counsel's opinion, under existing law, interest on the Series 2006B 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 payment of the principal of and interest on certain maturities of the Series 2006B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2006B Bonds by MBIA Insurance Corporation.



The Series 2006B Bonds are subject to redemption prior to maturity as described herein.

The Series 2006B Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through DTC's facilities, on or about November 9, 2006.

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 2006B Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

Citigroup

JPMorgan

Lehman Brothers

Bear, Stearns & Co. Inc.

UBS Investment Bank

A.G. Edwards
Loop Capital Markets, LLC
M.R. Beal & Company
RBC Capital Markets
Siebert Brandford Shank & Co., LLC

Banc of America Securities LLC
Merrill Lynch & Co.
Ramirez & Co., Inc.

First Albany Capital Inc.
Morgan Stanley
Raymond James & Associates, Inc.
Roosevelt & Cross, Inc.
Wachovia Bank, N.A.

\$410,000,000
Metropolitan Transportation Authority
Dedicated Tax Fund Bonds, Series 2006B

\$205,820,000 Serial Bonds

<u>Maturity</u> <u>(November 15)</u>	<u>Insurer</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP Number</u> <u>(59259N)*</u>
2007	Uninsured	\$ 6,405,000	3.500%	100%	TG8
2008	Uninsured	6,955,000	4.000	3.550	TH6
2009	Uninsured	7,235,000	3.500	3.600	TJ2
2010	MBIA	7,485,000	3.600	100	TK9
2011	MBIA	7,755,000	3.600	3.630	TL7
2012	MBIA	8,035,000	5.000	3.700	TM5
2013	MBIA	8,435,000	3.700	3.760	TN3
2014	MBIA	3,895,000	3.750	3.820	TP8
2014	MBIA	4,855,000	5.000	3.820	TQ6
2015	MBIA	9,135,000	5.000	3.880	TR4
2016	MBIA	4,020,000	3.875	3.940	TS2
2016	MBIA	5,575,000	5.000	3.940	TT0
2017 [†]	MBIA	10,030,000	5.000	4.000	TU7
2018 [†]	MBIA	10,530,000	5.000	4.040	TV5
2019 [†]	MBIA	11,055,000	5.000	4.080	TW3
2020 [†]	MBIA	11,610,000	5.000	4.130	TX1
2021	MBIA	1,900,000	4.125	4.160	TY9
2021 [†]	MBIA	10,290,000	5.000	4.160	TZ6
2022 [†]	MBIA	12,780,000	5.000	4.190	UA9
2023 [†]	MBIA	13,420,000	5.000	4.210	UB7
2024 [†]	MBIA	14,090,000	5.000	4.240	UC5
2025 [†]	MBIA	14,795,000	5.000	4.270	UD3
2026 [†]	MBIA	15,535,000	4.750	4.460	UE1

\$204,180,000 Term Bonds

- \$89,930,000 (MBIA) 5.00% Series 2006B Term Bonds due November 15, 2031 priced to Yield 4.36%[†]
CUSIP Number 59259NUF8*
- \$50,000,000 (MBIA) 4.50% Series 2006B Term Bonds due November 15, 2036 priced to Yield 4.64%
CUSIP Number 59259NUG6*
- \$64,250,000 (MBIA) 5.00% Series 2006B Term Bonds due November 15, 2036 priced to Yield 4.40%[†]
CUSIP Number 59259NUH4*

The Series 2006B Bonds are subject to mandatory sinking fund redemption, optional redemption and redemption by the State and the City as described under the caption “DESCRIPTION OF SERIES 2006B BONDS—Redemption Prior to Maturity” in Part I. The following summarizes the optional redemption provisions: the Series 2006B Bonds maturing on or after November 15, 2017 are subject to redemption prior to maturity on any date on or after November 15, 2016, at the option of MTA, in whole or in part on any date (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

* CUSIP numbers have been assigned by an organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2006B Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2006B Bonds or as indicated above.

[†] Priced at the stated yield to the November 15, 2016 optional redemption date at a redemption price of 100%.

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

Peter S. Kalikow	Chairman
David S. Mack	Vice-Chairman
Andrew M. Saul	Vice-Chairman
Andrew B. Albert	Non-Voting Member
John H. Banks III.....	Member
James F. Blair	Non-Voting Member
Nancy Shevell Blakeman	Member
Norman E. Brown.....	Non-Voting Member
Donald Cecil.....	Member
Barry L. Feinstein.....	Member
James H. Harding, Jr.	Member
Jeffrey A. Kay	Member
Mark D. Lebow	Member
James L. McGovern.....	Non-Voting Member
Susan G. Metzger	Member
Mark Page	Member
Mitchell H. Pally	Member
Francis H. Powers.....	Member
James L. Sedore, Jr.....	Member
Ed Watt.....	Non-Voting Member
Carl V. Wortendyke.....	Member

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

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

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

SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2006B Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to MTA's Dedicated Tax Fund Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.		
Bonds Being Offered	Dedicated Tax Fund Bonds, Series 2006B.		
Purpose of Issue.....	To finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.		
Maturities and Rates	See inside cover.		
Denominations.....	\$5,000 and integral multiples of \$5,000.		
Interest Payment Dates	May 15 and November 15, commencing May 15, 2007.		
Redemption.....	See "DESCRIPTION OF SERIES 2006B BONDS – Redemption Prior to Maturity" in Part I.		
Sources of Payment and Security	MTA's pledged State taxes.		
Credit Enhancement	Payment of the principal of and interest on certain maturities of the Series 2006B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2006B Bonds by MBIA Insurance Corporation.		
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.		
Trustee	The Bank of New York, New York, New York.		
Bond Counsel	Hawkins Delafield & Wood LLP, New York, New York.		
Tax Status	See "TAX MATTERS" in Part III.		
Expected Ratings		<u>Uninsured</u>	<u>Insured</u>
	Standard & Poor's:	AA	AAA
	Fitch:	A+	AAA
	See "RATINGS" in Part III.		
Financial Advisor	Goldman, Sachs & Co.		
Underwriters	See cover page. Citigroup Global Markets Inc. is the representative of the Underwriters for the Series 2006B Bonds.		
Underwriter's Discount	See "UNDERWRITING" in Part III.		
Counsel to the Underwriters	Sidley Austin LLP, New York, New York.		

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2006B 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 2006B Bonds, except as set forth in this official statement. No other information or representations should be relied upon.
 - ***No Contract or Investment Advice.*** This official statement is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this official statement and the Series 2006B Bonds being offered, or anything else related to this bond issue.
 - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice, and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
 - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of the MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.
 - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.
 - ***Bond Insurer Information.*** Other than with respect to information concerning MBIA Insurance Corporation (MBIA) contained under the caption "DESCRIPTION OF SERIES 2006B BONDS – Bond Insurance" and in Attachment 4 herein, none of the information in this official statement has been supplied or verified by MBIA and MBIA makes no representation or warranty, express or implied, as to
 - the accuracy or completeness of information it has neither supplied nor verified,
 - the validity of the Series 2006B Bonds, or
 - the tax-exempt status of the interest on the Series 2006B Bonds.
 - ***Overallotment and Stabilization.*** The Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Series 2006B Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.
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Information Included by Specific Cross-reference. The following portions of MTA’s 2006 Combined Continuing Disclosure Filings, dated April 27, 2006, and filed with the repositories identified in the “INTRODUCTION” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2006B 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, 2005 and 2004

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

- Summary of Certain Provisions of the DTF Resolution⁽¹⁾
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions⁽¹⁾

⁽¹⁾ Copies of these summaries can be found on the MTA website (www.mta.info) under the caption “MTA Home-Investor Information.” Definitions of certain terms used in the summaries may differ from terms used in this official statement, such as the use of the popular names of the MTA affiliates and subsidiaries.

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INTRODUCTION

MTA and Other Related Entities

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

MTA has responsibility for developing and implementing a single, integrated mass transportation policy for 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 (MSBA); the MTA Bus Company and the MTA Capital Construction Company. MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA.

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 the MTA’s affiliates and subsidiaries, which, together with the MTA, are referred to collectively herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2006 Combined Continuing Disclosure Filings (Appendix A), which is included by specific cross-reference in this official statement.

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

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

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

Where to Find Information

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

- This **Introduction** provides a general description of certain recent developments, as well as the MTA Dedicated Tax Fund.
- **Part I** provides specific information about the Series 2006B Bonds.
- **Part II** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2006B Bonds.
- **Part III** provides miscellaneous information relating to the Series 2006B Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2006B Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2006B Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2006B Bonds.
- **Attachment 4** sets forth certain information relating to MBIA Insurance Corporation.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

Bloomberg Municipal Repository

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

FT Interactive Data

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

DPC Data Inc.

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

Standard & Poor's Securities Evaluations, Inc.

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

Information Included by Specific Cross-reference. The information listed under the caption "Information Included by Specific Cross-reference" following the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this official statement. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes the specified portions of those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2006B Bonds.**

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

Recent Developments

MTA Financial Plan Information Updated. On July 26, 2006, MTA, on behalf of the Related Entities, presented an updated 2006 budget (the 2006 Mid-Year Forecast) and a proposed financial plan for the years 2007-2010 (the 2007-2010 Financial Plan) that includes a preliminary budget for 2007 (the 2007 Preliminary Budget) and a financial plan for the years 2008–2010. The 2006 Mid-Year Forecast updates the information set forth in the February 2006 Adopted Budget. The 2007-2010 Financial Plan updates the information for the years 2007-2009 and includes management’s first assessment of 2010. Copies of the 2006 Mid-Year Forecast and the 2007-2010 Financial Plan are posted on MTA’s website (www.mta.info) under “Financial Plan/Capital Program.”

In the first half of 2006, real estate revenue allocated to the MTA from the mortgage recording taxes in the MTA Commuter Transportation District and the urban taxes on commercial real estate transactions in the City exceeded projections. Consequently, the 2006 Mid-Year Forecast and 2007-2010 Financial Plan project from such sources an additional \$427 million, \$89 million, \$108 million and \$116 million for the years 2006 through 2009, respectively. However, these additional revenues are partially offset by a downward re-estimate to the growth in fare and toll revenues of \$53 million in 2006, \$48 million in 2007, \$47 million in 2008 and \$42 million in 2009, as well as other negative factors affecting the economy and the State and local governments, including increased interest rates, increased fuel and energy costs, increased health and welfare costs and increased labor costs. In addition, continuing needs in the area of security, enhancing service levels to meet rider demand and emerging requirements in the maintenance of state-of-the-art and sophisticated equipment (e.g. computerized trains, new signal technology and hybrid electric buses) place on-going pressure on MTA finances.

In the 2006 Mid-Year Forecast and the 2007-2010 Financial Plan, MTA projects the following, after taking into consideration the application of MTA Bridges and Tunnel’s operating surplus to mass transit:

- **2006**
 - Before policy and gap closing actions, the 2006 Mid-Year Forecast projects a cash balance in 2006 of \$1,121 million, which is an increase of \$496 million over the cash balance projected in the February 2006 Adopted Budget, primarily due to (1) greater than expected mortgage recording tax and urban tax collections (\$427 million), (2) additional cash balances from 2005 (\$120 million), and (3) the reduction to the general reserve for 2006 (\$44 million).
 - However, the \$1,121 million cash balance includes \$600 million that was set-aside to pay for 2005 initiatives: (1) \$450 million in unfunded pension liability reduction, (2) \$100 million for capital security additions and security initiatives, and (3) \$50 million for the 2005 Holiday Fare Discount Program.
 - The 2006 Mid-Year Forecast assumes that the 2006 cash balance will increase due to (1) the elimination of the 2004 real estate tax stabilization account (\$200 million), (2) investment income on the pension reduction deposit (\$21 million), (3) the elimination of the Holiday Fare Discount Program funding (\$50 million), and (4) agency programs to eliminate the gap (\$19 million).
 - In addition to the \$100 million set aside to pay for 2005 initiatives, the 2006 Mid-Year Forecast includes an additional \$100 million for capital security additions and security initiatives, which reduces the projected 2006 cash balance.
 - After policy and gap closing actions, the 2006 Mid-Year Forecast projects a net cash balance in 2006 of \$711 million.

- **2007**
 - Before policy and gap closing actions, the 2007 Preliminary Budget projects a cash balance in 2007 of \$290 million, which is an increase of \$322 million over the cash balance projected in the February 2006-2009 Financial Plan, primarily due to (1) additional cash balances from 2006 (\$496 million), (2) a re-estimate of the projected decline in certain real estate tax forecasts (\$89 million), (3) additional subsidies (\$78 million), and (4) lower than forecast debt service costs (\$25 million).
 - Because of the unplanned benefit of real estate and other revenues and actions, the 2007 Preliminary Budget assumes that the previously planned 2007 fare/toll increase expected to yield 5% in revenue will be delayed from January 1 to September 1, 2007.
 - The 2007 Preliminary Budget also includes (1) a downward re-estimate of fare and toll revenues (\$48 million), (2) “new needs” for maintenance, service, safety and security and paratransit (\$101 million), (3) a labor reserve to cover anticipated wage increases (\$83 million), and (4) additional energy costs (\$69 million).
 - After policy and gap closing actions, the 2007 Preliminary Budget projects a net cash balance of \$36 million.
- **2008-2010**
 - Before policy and gap closing actions, MTA is projecting cash deficits in 2008, 2009 and 2010 of \$1.0 billion, \$1.8 billion and \$2.1 billion, respectively.
 - However, if the fare and toll yields are increased by 5% in both 2007 (effective September 1) and 2009 (effective January 1) as projected in the 2007-2010 Financial Plan, and identified gap closing measures are implemented as proposed, MTA projects that the Related Entities would still have annual cash deficits in 2008, 2009 and 2010 of \$905 million, \$1,137 million and \$1,488 million, respectively, that would need to be addressed with additional actions.

The MTA Financial Plan for 2007 through 2009 assumes a 5% additional yield in fares and/or tolls in 2007 (effective September 1) and 2009 (effective January 1). Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions and additional health and welfare benefit costs.

MTA is expected to update the 2006 Mid-Year Forecast and the associated 2007-2010 Financial Plan in November 2006. The 2006 Mid-Year Forecast and the associated 2007-2010 Financial Plan may thereafter be revised until its final adoption by the MTA Board, currently expected in December 2006. In September 2006, the MTA Chairman announced that neither the 5% fare and toll increase nor the subway and bus service reductions included in the 2007-2010 Financial Plan would be necessary in 2007. However, MTA is required to balance its budget on a cash basis and, therefore, a plan which could include future cost reductions, fare and toll adjustments and additional subsidies will be necessary to address deficits beginning in 2008. The four-year financial plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

New GASB Regulations Relating to OPEBs. In accordance with new GASB regulations, MTA will be required to disclose the value of other than pension post-employment benefits (OPEBs) beginning in fiscal year 2007. See **Appendix A** – “EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS—OPEBs.” MTA currently meets these obligations on a pay-as-you-go basis and, while there is no obligation to change that practice, the 2007-2010 Financial Plan includes a provision for contributions to a fund of \$173 million in 2006, \$97 million in 2007, \$80 million in 2008, \$88 million in 2009 and \$97 million in 2010. It is expected that such fund would be established at the end of 2006 and would reflect cash put aside from savings in NYCERS pension costs (i.e., pension contributions made to the New York City Employees Retirement System on behalf of employees whose pensions are paid by that system) that were made possible by recent legislation and a subsequent revaluation. In addition, the 2007-2010 Financial Plan also assumes that such fund will include cash savings from health and

welfare costs generated by anticipated labor settlements. The fund described above has not yet been established and there is no obligation on MTA to either establish such fund or fund it in whole or in part at any time.

Development on West Side of Manhattan and No. 7 Subway Extension. On September 28, 2006, the MTA Board authorized the execution of two memoranda of understanding, one with the City with respect to the development of the MTA Long Island Rail Road yards on the west side of Manhattan (the Rail Yards MOU) and the other with the City and two City-controlled corporations with respect to the design, construction and funding of the No. 7 Line Extension from its current terminal at Times Square to a new terminal station at 34th Street and 11th Avenue (the No. 7 Line MOU).

The eastern portion of the rail yards between 10th and 11th Avenues was rezoned by the City in 2005. The Rail Yards MOU provides that one of the City-controlled corporations, Hudson Yards Infrastructure Corporation (HYIC), will purchase 50% of the transferable development rights (TDRs) on the eastern portion created by the rezoning from MTA for \$200 million. The other City-controlled corporation, Hudson Yards Development Corporation (HYDC), has the authority to market and negotiate the price and payment terms for all of the eastern portion TDRs, subject to the terms and conditions set forth in the Rail Yards MOU. Once the City has realized from the TDRs sales its original \$200 million plus interest, all remaining proceeds from the sale of the TDRs will be paid to MTA. MTA retains all on-site development rights on the eastern portion.

The western portion of the rail yards between 11th and 12th Avenues is currently zoned for low density industrial uses and must be rezoned by the City prior to more extensive development. Under the Rail Yards MOU, HYDC, in cooperation with MTA and the City Council, will develop a statement of planning and design guidelines (the Guidelines). Following completion of the Guidelines, MTA, in consultation with HYDC, the Department of City Planning and the City Council, will issue a request for proposals to develop both the eastern and western portions of the rail yards, other than the eastern portion TDRs. Separate developers may be chosen for the eastern and western portions. The final selection of a developer or developers and the material business terms of any disposition are subject to further approval of the MTA Board.

The No. 7 Line MOU includes parameters for the City's, HYDC's and HYIC's participation in the funding and oversight regarding the subway extension project. The basic agreement is for the City to fund the cost of the subway and the real estate acquisition needed for the project. MTA Capital Construction, working with MTA New York City Transit, will manage the completion of the final design and the construction of the project. The budget for the extension is \$2 billion, which HYIC will fund through its issuance of bonds. To the extent that additional work is required because of the City, HYDC or HYIC, or issues associated with real estate development being coordinated by the City, then those costs will be borne by the City, and their capital investment in the subway will be increased. The City and MTA also will agree on terms under which the City, HYIC or HYDC will provide an additional \$100 million for cost overruns, if any. Neither MTA nor TBTA can issue bonds or notes to fund any cost overruns in excess of the \$100 million agreed to by the City unless the additional costs are included in a capital program amendment that is approved by the Review Board.

The development proceeds that MTA receives from the rail yards will be used as a funding source for the 2005-2009 MTA Capital Program.

Excise Tax on Leasing. On May 17, 2006, President Bush signed into law an act entitled the "Tax Increase Prevention and Reconciliation Act of 2005" (P.L. 109-222). Among other provisions, P.L. 109-222 imposes an excise tax on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions, such as MTA and its affiliates and subsidiaries. Some of the MTA leasing transactions that could be subject to the tax are described in footnote 7 to MTA's consolidated financial statements for the years ended December 31, 2005 and 2004 that are included herein by specific cross-reference. The United States Department of the Treasury and the Internal Revenue Service are in the process of drafting regulations that will further clarify which transactions are subject to the excise tax and the calculation of the excise tax. MTA is evaluating P.L. 109-222 and awaiting these regulations. At this time, the magnitude of MTA's excise tax liability with respect to the lease transactions that are subject to P.L. 109-222 is unclear. Accordingly, MTA is unable to determine at this time whether the imposition of the excise tax will have a material adverse effect on MTA's financial results or condition.

State's Mid-Year Update of Dedicated Taxes. The State expects to issue a mid-year update of its current financial plan at the end of October, which update is expected to include revised projections on the dedicated taxes that secure the Bonds. MTA does not expect that the mid-year updated projections will be materially adversely different from the projections used by the MTA in its 2007-2010 Financial Plan.

The MTA Dedicated Tax Fund

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

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

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

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

- a 3/8 of one percent district sales tax (1/4 of one percent of which was imposed prior to June 1, 2005 and an additional 1/8 of one percent of which was imposed effective June 1, 2005),
- a temporary regional franchise tax surcharge,
- a portion of taxes on certain transportation and transmission companies, and
- an additional portion of the business privilege tax imposed on petroleum businesses.

The MTA Act requires that MTTF Receipts deposited into the MTA Dedicated Tax Fund be applied to meet debt service requirements of obligations, including the Series 2006B Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2006B Bonds, are referred to collectively herein as the Bonds). That legislation also requires that MMTOA Receipts deposited into the MTA Dedicated Tax Fund be applied, to the extent that MTTF Receipts are not sufficient to meet those requirements, to meet debt service requirements of the Bonds. MTTF Receipts and MMTOA Receipts not used to meet those requirements are transferred to the Operating and Capital Costs Account to be used to pay operating and capital costs of the Transit System operated by MTA New York City Transit and its subsidiary, MaBSTOA, and MTA Staten Island Railway, and the Commuter System operated by MTA's subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad.

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

PART I. SERIES 2006B BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2006B Bonds.

APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2006B Bonds (the principal amount thereof plus net original issue premium of \$16,553,013.35 and less certain financing, legal, bond insurance and miscellaneous expenses of \$6,611,743.40), in the amount of \$419,941,269.95 will be used to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

On June 3, 2005, in an effort to hedge against rising interest rates, MTA entered into a forward hedge in the aggregate notional amount of \$350 million with Lehman Brothers Special Financing Inc. (the Counterparty) with an effective date of December 1, 2006. MTA terminated the hedge with the Counterparty on October 24, 2006. A net termination payment of approximately \$18.5 million will be paid to MTA and will be applied to capital projects.

DESCRIPTION OF SERIES 2006B BONDS

General

Book-Entry-Only System. The Series 2006B Bonds will be issued as registered bonds, registered in the name of The Depository Trust Company or its nominee (together, DTC), New York, New York, which will act as securities depository for the Series 2006B Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2006B Bonds, all payments on the Series 2006B Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1** – “Book-Entry-Only System.”

Interest Payments. The Series 2006B Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this official statement. Interest will be paid on each May 15 and November 15, beginning May 15, 2007. So long as DTC is the sole registered owner of all of the Series 2006B Bonds, all interest payments will go to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

Transfers and Exchanges. So long as DTC is the securities depository for the Series 2006B Bonds, it will be the sole registered owner of the Series 2006B Bonds, and transfers of ownership interests in the Series 2006B Bonds will occur through the DTC Book-Entry-Only System.

Trustee. The Bank of New York is Trustee and Paying Agent with respect to the Series 2006B Bonds.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The term bonds shown below are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof from mandatory Sinking Fund Installments that are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2006B Bonds shown below:

<u>2031 Term Bond</u>		
	Sinking Fund Redemption Date (November 15)	Sinking Fund Installment
first payment	2027	\$16,275,000
	2028	17,090,000
	2029	17,945,000
	2030	18,840,000
final maturity	2031	19,780,000
average life 23.11 years		

<u>2036 5.00% Term Bond</u>		
	Sinking Fund Redemption Date (November 15)	Sinking Fund Installment
first payment	2032	\$10,770,000
	2033	11,760,000
	2034	12,800,000
	2035	13,890,000
final maturity	2036	15,030,000
average life 28.18 years		

<u>2036 4.50% Term Bond</u>		
	Sinking Fund Redemption Date (November 15)	Sinking Fund Installment
first payment	2032	\$10,000,000
	2033	10,000,000
	2034	10,000,000
	2035	10,000,000
final maturity	2036	10,000,000
average life 28.02 years		

Credit Toward Mandatory Sinking Fund Redemption. Credit toward mandatory Sinking Fund Installment requirements may be made as follows, and if made, will thereafter reduce the amount of Series 2006B Bonds otherwise subject to mandatory Sinking Fund Installments on the date credit is taken:

- If MTA directs the trustee to purchase Series 2006B 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 Series 2006B Bonds purchased will be made against the next Sinking Fund Installment due.
- If MTA purchases or redeems Series 2006B Bonds with other available moneys, then the principal amount of those Series 2006B Bonds will be credited against future Sinking Fund Installment requirements in any order, and in any annual amount, that the MTA may direct.

Optional Redemption. The Series 2006B Bonds maturing on or after November 15, 2017 are subject to redemption prior to maturity on any date on or after November 15, 2016, at the option of MTA, in whole or in part on any date (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2006B 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 2006B Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2006B 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 2006B Bonds, as a whole, but only in accordance with the terms upon which the Series 2006B Bonds are otherwise redeemable.

Redemption Notices. So long as DTC is the securities depository for the Series 2006B Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2006B 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 2006B Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

Effect of Call for Redemption. If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2006B 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 2006B Bonds, then on the redemption date the Series 2006B 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 2006B Bonds called for redemption, thereafter, no interest will accrue on those Series 2006B Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2006B Bonds.

Bond Insurance

Concurrently with the issuance of the Series 2006B Bonds, MBIA Insurance Corporation (MBIA) will issue its financial guaranty insurance policy (the MBIA Insurance Policy) for those maturities of the Series 2006B Bonds identified as being insured by MBIA on the inside cover hereof (collectively, the MBIA Insured Bonds). The MBIA Insurance Policy guarantees the scheduled payment of principal of and interest on the MBIA Insured Bonds when due as set forth in the form of the MBIA Insurance Policy included as **Attachment 4** to this official statement. Reference is made to **Attachment 4** for information regarding the MBIA Insured Bonds, MBIA and a specimen of the MBIA Insurance Policy.

MTA has granted to MBIA certain rights authorized under Section A-202 of the DTF Resolution, including the right to be deemed the sole Owner of the MBIA Insured Bonds, whenever the approval, consent or action of the Owners is required. See "Definitions and Summary of Certain Provisions of the Standard Resolution Provisions" included by specific cross-reference herein.

Debt Service on the Bonds

Table 1 on the next page sets forth, on a cash basis for each State fiscal year ending March 31, the debt service on (i) the outstanding DTF Bonds, (ii) the Series 2006B Bonds, and (iii) all Bonds outstanding under the DTF Resolution after issuance of the Series 2006B Bonds.

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Table 1

**Aggregate Debt Service
(000's omitted)⁽¹⁾**

Year Ending March 31 ⁽²⁾	Outstanding Bonds ⁽³⁾	Series 2006B Bonds			Aggregate Debt Service ⁽⁴⁾
		Principal	Interest	Total	
2007	\$ 215,989	\$ 0	\$ 0	\$ 0	\$ 215,989
2008	229,590	6,405	19,829	26,234	255,824
2009	229,656	6,955	19,279	26,234	255,890
2010	229,678	7,235	19,001	26,236	255,914
2011	229,632	7,485	18,748	26,233	255,865
2012	229,664	7,755	18,478	26,233	255,897
2013	229,652	8,035	18,199	26,234	255,886
2014	229,507	8,435	17,797	26,232	255,739
2015	229,130	8,750	17,485	26,235	255,365
2016	229,289	9,135	17,097	26,232	255,521
2017	229,387	9,595	16,640	26,235	255,622
2018	229,530	10,030	16,205	26,235	255,765
2019	229,664	10,530	15,704	26,234	255,898
2020	229,172	11,055	15,177	26,232	255,404
2021	229,715	11,610	14,625	26,235	255,950
2022	229,637	12,190	14,044	26,234	255,871
2023	229,940	12,780	13,451	26,231	256,171
2024	230,940	13,420	12,812	26,232	257,172
2025	230,848	14,090	12,141	26,231	257,079
2026	231,036	14,795	11,437	26,232	257,268
2027	231,061	15,535	10,697	26,232	257,293
2028	230,990	16,275	9,959	26,234	257,224
2029	231,183	17,090	9,145	26,235	257,418
2030	231,251	17,945	8,291	26,236	257,487
2031	231,196	18,840	7,394	26,234	257,430
2032	231,336	19,780	6,452	26,232	257,568
2033	233,835	20,770	5,463	26,233	260,068
2034	90,893	21,760	4,474	26,234	117,127
2035	46,122	22,800	3,436	26,236	72,358
2036	22,714	23,890	2,346	26,236	48,950
2037	0	25,030	1,202	26,232	26,232
TOTAL	<u>\$6,362,238</u>	<u>\$410,000</u>	<u>\$377,007</u>	<u>\$787,007</u>	<u>\$7,149,245</u>

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Based on the State's fiscal year ending March 31.

⁽³⁾ Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap relating thereto, and 4.00% thereafter. Assumes interest at a rate of 4.00% per annum on the Series 2004B Bonds and the Series 2004D Bonds. Assumes interest at a rate of 3.3156% per annum on the Series 2005A Bonds based on an interest rate swap relating thereto.

⁽⁴⁾ Includes the assumptions set forth in footnotes 1 through 3.

PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Part II of this official statement describes the sources of payment and security structure for all MTA Dedicated Tax Fund Bonds, including the Series 2006B Bonds.

SOURCES OF PAYMENT

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

Revenues from Dedicated Taxes

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

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

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

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

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

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

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

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

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

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

- ***MMTOA PBT***. The products that are subject to the tax, the tax rates, and the transactions excluded from the tax are identical to those of the basic PBT tax dedicated to the PBT Dedicated Funds Pool and the MTTF Account in that Pool. Pursuant to State law, of the remaining 19.7% of the PBT Basic Tax that is not deposited to the PBT Dedicated Tax Funds Pool, 55% (or 10.835% of the PBT Basic Tax collections) is deposited in the MMTOA Account.
- ***District Sales Tax***. The District Sales Tax consists of a three-eighths of one percent (3/8%) sales and compensating use tax imposed on sales and uses of certain tangible personal property and services applicable only within the MTA Commuter Transportation District. Effective June 1, 2005, the District Sales Tax was increased from 1/4 of one percent to 3/8 of one percent and a portion of the proceeds thereof were deposited into the MMTOA Account for the benefit of the MTA.

Certain amendments to the State tax law with an effective date of June 1, 2006 were recently enacted that replace the 3/8 of 1% district sales and compensating use taxes on retail sales of motor fuel and diesel motor fuel with a flat 3/4 of one cent per gallon tax (the equivalent of the replaced taxes on such fuel at \$2 per gallon). The amendments further require the State Commissioner of Taxation to calculate the revenue loss based upon fuel price sales over \$2 per gallon, and require the State Comptroller, to the extent there are moneys available in the State General Fund, to deposit the amount of the revenue loss into the MMTOA Account, thereby effectively holding the MTA harmless from the tax law changes. MTA does not expect that the tax law amendments will materially adversely affect the 2006-2010 Financial Plan or its ability to pay debt service on the Bonds.

- ***Franchise Taxes***. Also deposited in the MMTOA Account is a legislatively-allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies) —
 - o an annual franchise tax based on the amount of the taxpayer’s issued capital stock, and
 - o an annual franchise tax on the taxpayer’s gross earnings from all sources calculated to be in the State pursuant to statutory formulae.

- **Temporary Franchise Surcharges.** The Temporary Franchise Surcharges are imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within the MTA Commuter Transportation District. In accordance with State Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as taxes are received.

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

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

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

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Table 2
Summary of MTTF Receipts and MMTOA Receipts

<u>Dedicated Taxes (\$ millions)</u>	<u>State Fiscal Year ending March 31,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
MTTF					
PBT	\$ 298.8	\$ 306.6	\$ 313.2	\$ 323.1	\$ 341.2
Motor Fuel Tax	56.7	63.0	96.6	101.4	102.0
Motor Vehicle Fees ⁽¹⁾	<u>25.5</u>	<u>69.6</u>	<u>96.1</u>	<u>126.6</u>	<u>149.7</u>
Total Available MTTF Taxes⁽²⁾	\$ 381.0	\$ 439.2	\$ 505.9	\$ 551.1	\$ 592.9
MTTF Receipts⁽³⁾	\$ 373.4	\$ 450.2	\$ 495.2	\$ 559.7	\$ 569.3
MMTOA					
PBT	\$ 68.1	\$ 66.3	\$ 72.2	\$ 74.2	\$ 78.8
District Sales Tax ⁽⁴⁾	364.7	361.9	399.3	428.9	603.1
Franchise Taxes	82.9	71.1	57.4	64.5	73.6
Temporary Franchise Surcharges ⁽⁵⁾	<u>483.4</u>	<u>509.5</u>	<u>484.2</u>	<u>571.4</u>	<u>766.2</u>
Total Available MMTOA Taxes⁽⁶⁾	\$ 999.1	\$1,008.8	\$1,013.1	\$1,139.0	\$1,521.7
MMTOA Receipts⁽⁷⁾	\$ 755.2	\$ 861.5	\$ 730.9	\$ 736.4	\$1,146.7⁽⁸⁾
Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)	\$1,128.6	\$1,311.7	\$1,226.1	\$1,296.1	\$1,516.0⁽⁸⁾
Debt Service⁽⁹⁾	\$ 106.8	\$ 59.7	\$ 141.9	\$ 156.8	\$ 195.4
Debt Service Coverage Ratio – MTTF Receipts Only	3.50x	7.54x	3.49x	3.57x	2.91x
Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts	10.57x	21.97x	8.64x	8.27x	7.76x ⁽⁸⁾

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

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

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

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

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

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

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

(8) In the fourth quarter of its 2005-06 fiscal year, the State advanced \$200 million of MMTOA Receipts to the MTA which will be charged against appropriations provided in the State's 2006-07 fiscal year. This money is not additional money to MTA since it is received in the same calendar year as originally expected. Total Pledged Revenues for 2006 does not include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2006 also exclude the effect of this \$200 million advance.

(9) Represents debt service on bonds outstanding under the old DTF bond resolution that was defeased in 2002 and, thereafter, bonds outstanding under the existing DTF Resolution. The lower debt service in 2003 reflects the effects of the debt restructuring.

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

Factors Affecting Revenues from Dedicated Taxes

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

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

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

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

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

- The State Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made. However, in the case of the PBT that is deposited as a portion of the MTTF Receipts, the State Legislature has expressed its intent in the State Finance Law to enact for each State fiscal year an appropriation for the current and the next year. See the heading "SECURITY – Appropriation by the Legislature" below.
- The State is not bound or obligated to continue to pay operating subsidies to the transit or commuter systems or to continue to impose any of the taxes currently funding those subsidies.

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

SECURITY

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

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

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

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

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

Pledge Effected by the DTF Resolution

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

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

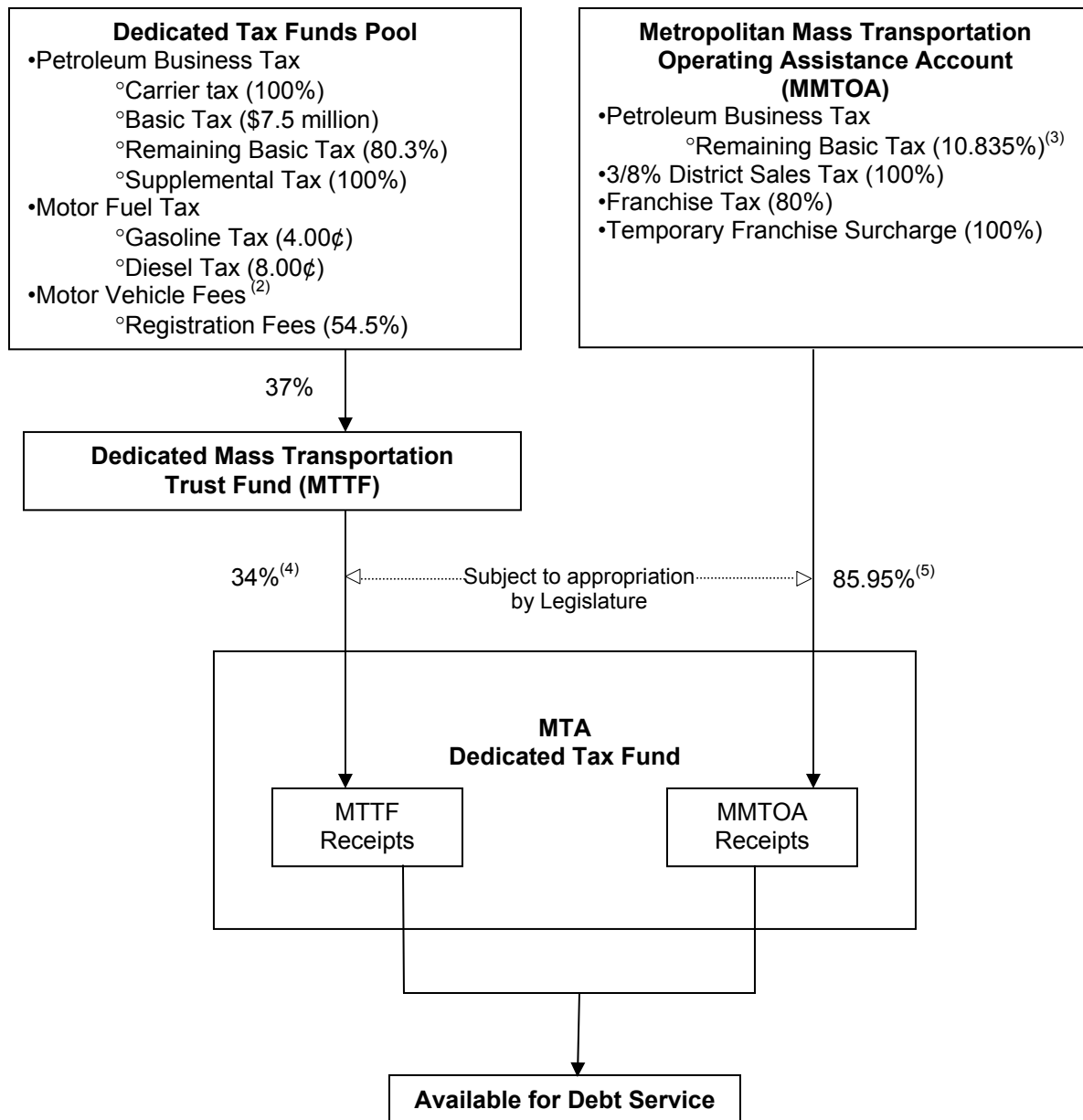
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and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

Flow of Funds

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

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

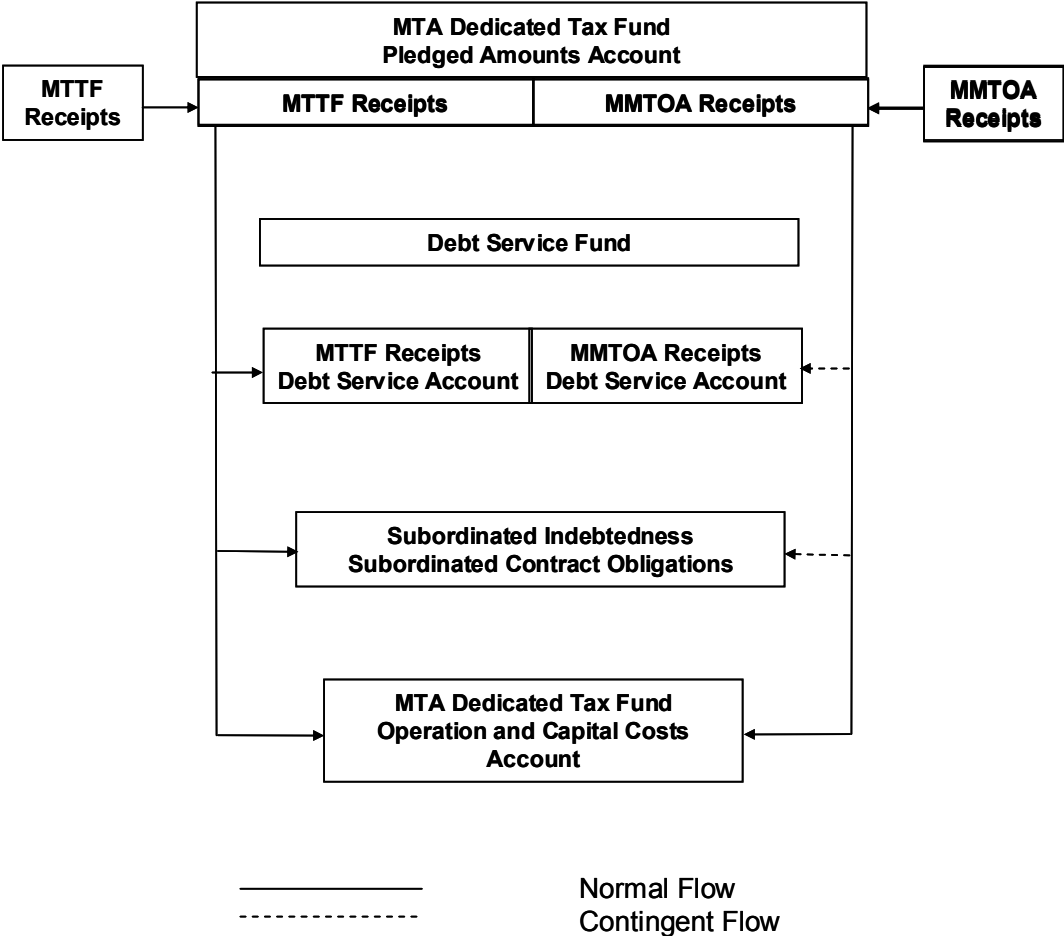
MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE
(Through March 31, 2007)⁽¹⁾



Notes

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ending March 31, 2007 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) In accordance with legislation enacted with the 2000-01 Enacted Budget, additional non-registration Motor Vehicle Fees were deposited into the Dedicated Funds Pool beginning in State Fiscal Year 2004-05. Effective April 1, 2005, all remaining General Fund revenues derived from motor vehicle fees were moved to the Dedicated Funds Pool, thereby increasing the available moneys therein. In accordance with legislation enacted with the 2005-06 Enacted Budget, additional Motor Vehicle Fees were deposited into the Dedicated Funds Pool beginning on October 1, 2005.
- (3) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in an account for certain upstate transportation entities.
- (4) Percentage of Dedicated Funds Pool.
- (5) Percentage based on payments included in the Enacted Budget for State Fiscal Year 2006-07.

MTA DEDICATED TAX FUND BONDS – RESOLUTION FLOW OF FUNDS



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

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

Debt Service Fund

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

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

Covenants

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

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

Such certificate must set forth:

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

and then state:

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

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

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

Parity Debt

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

Appropriation by the Legislature

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

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

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2006-07 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year that ends March 31, 2007 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2008. The appropriation for the 2006-07 State Fiscal Year took effect on April 1, 2006. MTA has periodically availed itself of such prior year's appropriation to meet operating costs in response to delays in the adoption of the State budget in such years.

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

Agreement of the State

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

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

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PART III. OTHER INFORMATION ABOUT THE SERIES 2006B BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2006B Bonds.

TAX MATTERS

General

Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2006B Bonds. Their opinion under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2006B Bonds is:

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

Their opinion is also that under existing law interest on the Series 2006B Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2006B Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2006B Bonds that MTA must continue to meet after the Series 2006B Bonds are issued. These requirements generally involve the way that Series 2006B Bond proceeds must be invested and ultimately used. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2006B 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 2006B 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 2006B Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events could change the tax treatment of the interest on the Series 2006B Bonds or affect the market price of the Series 2006B Bonds. For example, the Internal Revenue Code could be changed.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2006B Bonds, or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2006B Bonds will have “original issue discount” if the price paid by the first bondholder is less than the principal amount of these Series 2006B Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2006B Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2006B Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2006B Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondholder owns one of these Series 2006B Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2006B Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2006B Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Series 2006B Bond will be reduced. The holder of a Series 2006B Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2006B Bond with bond premium, even though the Series 2006B Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2006B Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2006B 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 2006B Bonds.

LITIGATION

There is no material pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to MTA, its affiliates or subsidiaries. MTA does not believe that any of these claims or actions would affect the application of the sources of payment for the Series 2006B Bonds. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** – “THE RELATED ENTITIES – Litigation.”

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2006B Bonds and has also provided services in connection with the hedge described under "APPLICATION OF PROCEEDS." The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2006B Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor's fees for serving as financial advisor is contingent upon the issuance of the Series 2006B Bonds.

UNDERWRITING

The Underwriters for the Series 2006B Bonds, acting through Citigroup Global Markets Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2006B Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$424,446,319.60, reflecting a net original issue premium of \$16,553,013.35 and an Underwriters' discount of \$2,106,693.75, and to reoffer such Series 2006B Bonds at the public offering prices or yields set forth on the inside cover page.

The Series 2006B Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2006B Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2006B Bonds if any Series 2006B Bonds are purchased.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies that are expected to be assigned to the Series 2006B Bonds. Those ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings	Standard & Poor's Ratings Services
One State Street Plaza	55 Water Street
New York, New York 10004	New York, New York 10041
(212) 908-0500	(212) 438-2000

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

The expected ratings on the MBIA Insured Bonds identified in the Summary of Terms reflect the ratings of the bond insurer providing credit enhancement for the MBIA Insured Bonds.

LEGAL MATTERS

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

Certain legal matters regarding MTA will be passed upon by its General Counsel. In addition, certain legal matters will be passed upon by counsel to the Underwriters as indicated in the Summary of Terms.

CONTINUING DISCLOSURE

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

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

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

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

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

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FURTHER INFORMATION

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

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

METROPOLITAN TRANSPORTATION AUTHORITY

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

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2006B Bonds. The Series 2006B 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 2006B Bond will be issued for each maturity of the Series 2006B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the Series 2006B Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

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

3. Purchases of Series 2006B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006B 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 2006B 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 2006B Bonds, except in the event that use of the book-entry system for the Series 2006B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2006B 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 2006B 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 2006B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006B 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 2006B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006B Bond documents. For example, Beneficial Owners of the Series 2006B Bonds may wish to ascertain that the nominee holding the Series 2006B 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 2006B 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 2006B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2006B 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 2006B 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 2006B 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 2006B 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 2006B Bonds will be printed and delivered.

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

ATTACHMENT 2

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), MTA and the Trustee will enter into a written agreement (the “Disclosure Agreement”) for the benefit of holders of the Series 2006B Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to MTA by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2007 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with each Nationally Recognized Municipal Securities Information Repository (the “NRMSIRs”) and with the state information depository for the State, if and to the extent it shall have been established and shall be in existence and operating as a state information depository within the meaning of Rule 15c2-12 (the “State Depository”). Notices of material events will be filed by or on behalf of MTA with NRMSIRs or the Municipal Securities Rulemaking Board (the “MSRB”) and with the State Depository. The nature of the information to be provided in the Annual Information and the notices of material events is set forth below.

The Comptroller of the State is required by existing law to issue audited annual financial statements of the State 120 days after the close of the State fiscal year, and MTA will also undertake to provide the State’s audited annual financial statements, by no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2007; provided that if audited financial statements are not then available from the State, unaudited financial statements shall be so provided and audited financial statements will be provided if and when available. Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2006B Bonds to provide or cause to be provided either directly or through the Trustee, audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2007, when and if such audited financial statements become available and, if such audited financial statements of MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of MTA New York City Transit or MTA for such fiscal year. MTA’s and the State’s annual financial statements will be filed by or on behalf of such parties with each NRMSIR and the State Depository.

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

1. description of the transit and commuter systems operated by the MTA and its affiliates and subsidiaries and their operations,
2. information regarding the transit and commuter capital programs, including information of the type included in Appendix A under the caption “FINANCIAL PLANS AND CAPITAL PROGRAMS,”
3. presentation of changes to indebtedness issued by MTA under the DTF Resolution, as well as information concerning changes to MTA’s debt service requirements on such indebtedness payable from DTF Revenues,
4. financial information and operating data of the type included in **Appendix A** under the caption “DEDICATED TAX FUND BONDS” which shall include information relating to the following:
 - a. description of how the State allocates taxes to the MTA Dedicated Tax Fund;
 - b. description of the material taxes allocated to the MTA Dedicated Tax Fund, currently the petroleum business tax, the motor fuel tax on gasoline and diesel fuel, certain motor vehicle fees, including both registration and non-registration fees, the District Sales Tax, the Franchise Taxes, and the Temporary Franchise Surcharge, together with a description of the tax rate, the tax base and the composition and collection of such taxes by the State (unless the taxes constituting the sources of revenue have been materially changed or modified, in which case similar information about such new or modified taxes will be provided); and

- c. for the material taxes then constituting a source of revenue for the MTA Dedicated Tax Fund, an historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available,
5. information concerning the amounts, sources, material changes in and material factors affecting DTF Revenues and debt service incurred under the DTF Resolution,
6. material litigation related to any of the foregoing, and
7. such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, MTA.

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

MTA will undertake, for the benefit of holders of the Series 2006B Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption "CONTINUING DISCLOSURE" in this Official Statement with respect to the Series 2006B Bonds, if material, and
2. to each NRMSIR or to the MSRB, and to the State Depository, in a timely manner, notice of a failure to provide any Annual Information required by such undertaking or any required audited financial statements of MTA.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2006B Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2006B Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the undertaking is an action to compel specific performance, and no person or entity, including any holder of Series 2006B Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2006B Bonds at the time Outstanding which are affected thereby. MTA and the Trustee reserve the right, but shall not be obligated to, enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the DTF Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the DTF Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be

provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2006B Bonds have been paid in full or legally defeased pursuant to the DTF Resolution or the date the undertaking is no longer required by law. The Disclosure Agreement also provides that the obligation of the MTA to provide the State's audited financial statements thereunder may be terminated if, due to a change in circumstances or a change in law, regulation or official interpretation thereof, the State is not an "obligated person" as defined in Rule 15c2-12. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

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

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2006B Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$410,000,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Bonds, Series 2006B (the "Series 2006B Bonds").

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

The Series 2006B Bonds are issued under and pursuant to the Constitution and statutes of the State of New York (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "Dedicated Tax Fund Obligation Resolution", as supplemented by a resolution of said members adopted on January 25, 2006 (collectively, the "Resolution").

The Series 2006B 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 2006B Bonds in order that interest on the Series 2006B Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2006B Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2006B Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2006B Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2006B 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 2006B Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the

Series 2006B Bonds from gross income for federal income tax purposes under Section 103 of the Code and 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 2006B Bonds as executed and, in our opinion, the form of said Series 2006B Bond and its execution are regular and proper.

We are of the opinion that:

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

2. MTA has the right and power under the Issuer Act to adopt the Resolution. The Resolution has been duly and lawfully adopted by MTA, is in full force and effect, is valid and binding upon MTA, and is enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The Series 2006B 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 2006B 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 2006B Bonds.

4. The MTA, the holders of the Series 2006B 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 2006B 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 2006B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2006B 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 2006B Bonds is exempt from personal income taxes imposed by the State and 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 2006B 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 exclusion from gross income for federal income tax purposes of interest on the Series 2006B Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2006B 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 4

INFORMATION RELATING TO MBIA INSURANCE CORPORATION

General

There follows in this **Attachment 4** certain information concerning MBIA Insurance Corporation (MBIA) and MBIA's policy (the MBIA Insurance Policy) which has been supplied by MBIA for use in this official statement. MBIA has also supplied the specimen of the MBIA Insurance Policy attached to this official statement in this **Attachment 4**. No representation is made by MTA, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither MTA, the Underwriters or any of their counsel has made any independent investigation of MBIA or the MBIA Insurance Policy, and reference should be made to the information set forth below.

MBIA does not accept any responsibility for the accuracy or completeness of this official statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the MBIA Insurance Policy and MBIA set forth under the caption "DESCRIPTION OF SERIES 2006B BONDS—Bond Insurance" and in this **Attachment 4**. Additionally, MBIA makes no representation regarding the MBIA Insured Bonds or the advisability of investing in the MBIA Insured Bonds.

MBIA Insurance Corporation Insurance Policy

The MBIA Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the MTA to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the MBIA Insured Bonds (identified on the inside cover) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a Preference).

The MBIA Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) and (ii) above. The MBIA Insurance Policy also does not insure against nonpayment of principal of or interest on the MBIA Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of an MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to

such owners or the Paying Agent payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the Company). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The MBIA Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the MBIA Insured Bonds. MBIA does not guaranty the market price of the MBIA Insured Bonds nor does it guaranty that the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA has admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of \$11.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month period ended June 30, 2006 and June 30, 2005 included in

the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this official statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the SEC) are incorporated by reference into this official statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the MBIA Insured Bonds offered hereby shall be deemed to be incorporated by reference in this official statement and to be a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this official statement, shall be deemed to be modified or superseded for purposes of this official statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this official statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

[NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent ") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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01/05

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