



**\$430,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Dedicated Tax Fund Variable Rate Bonds, Series 2007A**  
**(Auction Rate Securities)**  
 consisting of

<b>\$86,000,000 Subseries 2007A-1</b>	<b>\$86,000,000 Subseries 2007A-2</b>	<b>\$86,000,000 Subseries 2007A-3</b>
<b>\$86,000,000 Subseries 2007A-4</b>		<b>\$86,000,000 Subseries 2007A-5</b>

**DATED: Date of Delivery****DUE: November 1, 2037**

The Series 2007A Bonds are being issued to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2007A Bonds –

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

MTA has no taxing power.

The Series 2007A Bonds initially will be in an Auction Rate Mode. **For a description of the method of determination of interest rates, interest periods, interest payment dates and certain other terms applicable to the Series 2007A Bonds, see the inside cover.**

Each subseries of the Series 2007A Bonds will bear interest in an Auction Rate Mode from and including their date of delivery to but excluding the date on which the Mode applicable to such subseries is changed to another Mode, in which event that subseries will be subject to mandatory tender for purchase on such date at the purchase price equal to the principal amount thereof. **This official statement, in general, describes the Series 2007A Bonds only during the Auction Rate Mode.**

*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 2007A Bonds is*

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

*Also in Bond Counsel's opinion, under existing law, interest on the Series 2007A Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State, including The City of New York.*

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Payment of the principal of and interest on the Series 2007A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2007A Bonds.

**Ambac**

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The Series 2007A Bonds are subject to redemption prior to maturity as described herein.

The Series 2007A Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through the facilities of The Depository Trust Company, on or about November 7, 2007.

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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 2007A 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.

**\$430,000,000**  
**Metropolitan Transportation Authority**  
**Dedicated Tax Fund Variable Rate Bonds, Series 2007A**  
**(Auction Rate Securities)**  
consisting of

**\$86,000,000 Subseries 2007A-1**  
**CUSIP No. 59259N VE0<sup>(1)</sup>**

**\$86,000,000 Subseries 2007A-2**  
**CUSIP No. 59259N VF7<sup>(1)</sup>**

**\$86,000,000 Subseries 2007A-3**  
**CUSIP No. 59259N VG5<sup>(1)</sup>**

**\$86,000,000 Subseries 2007A-4**  
**CUSIP No. 59259N VH3<sup>(1)</sup>**

**\$86,000,000 Subseries 2007A-5**  
**CUSIP No. 59259N VJ9<sup>(1)</sup>**

The initial interest rate established by MTA for each subseries of the Series 2007A Bonds will apply to the period commencing on their date of issuance to and including the day prior to the Initial Interest Payment Date identified below. Thereafter, each subseries will bear interest at an Auction Rate resulting from an Auction conducted for each Auction Period on each Auction Date in accordance with the Auction Mode Provisions described in this official statement, subject to certain conditions and exceptions. Interest on each subseries of Series 2007A Bonds will be payable commencing on the initial Interest Payment Date for each such subseries, and on each Interest Payment Date thereafter. The initial Auction Date and each Auction Date thereafter and the initial Interest Payment Date and each Interest Payment Date thereafter are set forth below for each subseries of Series 2007A Bonds. The initial interest rates will be available from the Broker-Dealers on or about November 6, 2007.

<u>Subseries</u>	<u>Initial Auction Date</u>	<u>Auction Date*</u>	<u>Auction Period**</u>	<u>Initial Interest Payment Date</u>	<u>Interest Payment Date***</u>
2007A-1	November 19, 2007	each Monday	7-day	November 20, 2007	each Tuesday
2007A-2	November 13, 2007	each Tuesday	7-day	November 14, 2007	each Wednesday
2007A-3	November 14, 2007	each Wednesday	7-day	November 15, 2007	each Thursday
2007A-4	November 15, 2007	each Thursday	7-day	November 16, 2007	each Friday
2007A-5	November 16, 2007	each Friday	7-day	November 19, 2007	each Monday

\* Subject to certain conditions and exceptions as described herein.

\*\* Subject to certain exceptions (see **Attachment 4**-Auction Mode Provisions-Definitions-Auction Period.)

\*\*\* Subject to certain exceptions (see **Attachment 4**-Auction Mode Provisions-Definitions-Interest Payment Date.)

Prospective purchasers of each subseries of Series 2007A Bonds should carefully review the Auction Mode Provisions described in **Attachment 4**, and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Series 2007A Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone, facsimile transmission or other similar electronic means of communication and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Series 2007A Bonds may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The length of an Auction Period for each subseries of Series 2007A Bonds may be changed as described herein. The Series 2007A Bonds of each subseries will not be subject to mandatory tender for purchase upon a change in the length of an Auction Period; however, notice of such change will be given as further described herein, and, in such case, any Series 2007A Bonds that are not the subject of a specific Order shall be deemed to be subject to a Sell Order.

The Bank of New York will serve as Auction Agent. Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. will serve as Broker-Dealers for each subseries of the Series 2007A Bonds.

<sup>(1)</sup> 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 2007A 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 2007A Bonds or as indicated above.

# Metropolitan Transportation Authority

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

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

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## HAWKINS DELAFIELD & WOOD LLP

New York, New York  
*Bond Counsel*

## GOLDMAN, SACHS & Co.

New York, New York  
*Financial Advisor*

## SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2007A Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to MTA's Dedicated Tax Fund Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer .....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.
Bonds Being Offered .....	Dedicated Tax Fund Variable Rate Bonds, Series 2007A.
Purpose of Issue.....	To finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.
Maturities.....	See cover and inside cover.
Denominations.....	\$25,000 and integral multiples of \$25,000.
Auction Dates, Auction Periods and Interest Payment Dates .....	See inside cover.
Redemption.....	See "DESCRIPTION OF SERIES 2007A BONDS – Redemption Prior to Maturity" in Part I.
Sources of Payment and Security .....	MTA's pledged State taxes and fees.
Credit Enhancement .....	Payment of the principal of and interest on the Series 2007A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2007A Bonds.
Registration of the Bonds .....	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee, Paying Agent and Tender Agent.....	The Bank of New York, New York, New York.
Bond Counsel .....	Hawkins Delafield & Wood LLP, New York, New York.
Tax Status .....	See "TAX MATTERS" in Part III.
Expected Ratings .....	Standard & Poor's: AAA Fitch: AAA See "RATINGS" in Part III.
Financial Advisor .....	Goldman, Sachs & Co.
Underwriters and Broker-Dealers.....	See cover page and inside cover page. Bear, Stearns & Co. Inc. is the representative of the Underwriters for the Series 2007A Bonds.
Auction Agent .....	The Bank of New York, New York, New York.
Purchase Price/Underwriters' Discount.....	See "UNDERWRITING" in Part III.
Counsel to the Underwriters .....	Orrick, Herrington & Sutcliffe 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 2007A 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 2007A 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 2007A Bonds being offered, or anything else related to this bond issue.

- *Information Subject to Change.* Information and expressions of opinion are subject to change without notice and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.

- *Forward-Looking Statements.* Many statements contained in this official statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.

- *Projections.* The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.

- *No Guarantee of Information by Underwriters.* The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

- *Bond Insurer Information.* Other than with respect to information concerning Ambac Assurance Corporation (Ambac) contained under the caption "DESCRIPTION OF SERIES 2007A BONDS – Bond Insurance" herein and in Attachment 5 hereto, none of the information in this official statement has been supplied or verified by Ambac and Ambac 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 2007A Bonds, or
- the tax-exempt status of the interest on the Series 2007A Bonds.

- *Overallotment and Stabilization.* The Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2007A 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 2007 Combined Continuing Disclosure Filings, dated April 26, 2007, and filed with the repositories identified in the “INTRODUCTION – Where to Find Information” 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 2007A Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2006 and 2005

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

- Summary of Certain Provisions of the DTF Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions<sup>(1)</sup>

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<sup>(1)</sup> Copies of these summaries can be found on the MTA website ([www.mta.info/mta/investor/index.html](http://www.mta.info/mta/investor/index.html)) under the caption “MTA Home-Financial Information-Investor Information.” Definitions of certain terms used in the summaries may differ from terms used in this official statement, such as the use herein of the popular names of the MTA affiliates and subsidiaries.

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## INTRODUCTION

### MTA and Other Related Entities

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

MTA has responsibility for developing and implementing a single, integrated mass transportation policy for MTA’s service region (the MTA Commuter Transportation District), which consists of New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out some of those responsibilities by operating the Transit and Commuter Systems through its subsidiary and affiliate entities: the New York City Transit Authority and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority; the Staten Island Rapid Transit Operating Authority; The Long Island Rail Road Company; the Metro-North Commuter Railroad Company; the Metropolitan Suburban Bus Authority (MTA Long Island Bus); the MTA Bus Company; and MTA Capital Construction Company. MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MTA Long Island Bus.

Triborough Bridge and Tunnel Authority (MTA Bridges and Tunnels), another affiliate of MTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. MTA Bridges and Tunnels issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. MTA Bridges and Tunnels’ surplus amounts are used to fund 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 MTA, are referred to herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2007 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 in **Appendix A**.

## Where to Find Information

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

- **Part I** provides specific information about the Series 2007A Bonds.
- **Part II** describes the sources of payment and security for all Dedicated Tax Fund Bonds, including the Series 2007A Bonds.
- **Part III** provides miscellaneous information relating to the Series 2007A Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2007A Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2007A Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2007A Bonds.
- **Attachment 4** sets forth a summary of the Auction Mode Provisions.
- **Attachment 5** sets forth certain information relating to Ambac Assurance 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 (NRMSIRs). Documents filed by MTA should be available from those repositories designated as such at the time of the filing. The repositories may charge a fee for access to those documents. The current repositories are as follows:

***Bloomberg Municipal Repository***

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

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

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

***DPC Data Inc.***

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

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

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

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this 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 2007A 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 25, 2007, MTA, on behalf of the Related Entities, presented an updated 2007 budget (the 2007 Mid-Year Forecast) and a proposed financial plan for the years 2008-2011 (the 2008-2011 Financial Plan) that includes a preliminary budget for 2008 (the 2008 Preliminary Budget) and a financial plan for the years 2009–2011. The 2007 Mid-Year Forecast updates the information set forth in the February 2007 Adopted Budget. The 2008-2011 Financial Plan updates the information for the years 2008-2010 and includes management’s first assessment of 2011. Copies of the 2007 Mid-Year Forecast and the 2008-2011 Financial Plan are posted on MTA’s website (www.mta.info) under “Financial Plan/Capital Program.” It should be noted that the 2007 Mid-Year Forecast, the 2008 Preliminary Budget and the 2008-2011 Financial Plan were prepared prior to the economic turbulence caused by the sub-prime loan crisis, and no assurances can be given that the projections set forth in such documents will not be adversely affected thereby.

The 2007 Mid-Year Forecast shows overall net improvement since February 2007, largely the result of real estate revenues that have continued to exceed projections. Increased tax revenues are expected to provide an additional \$502 million in 2007 and \$138 million for 2008 above the February 2007 projections. In addition, based upon the State’s assumption of a continuing strong economy, MTA adjusted State tax subsidies upward by \$994 million for the period 2008-2011. Other net improvements since February include fare and toll revenue, up a projected \$53 million in 2007, \$64 million in 2008, \$71 million in 2009 and \$86 million in 2010. Also, health and welfare costs are projected to increase more slowly due to lower-than-expected 2007 rate increases. These positive developments are offset by additional energy and pension costs, a significant increase in resources to address maintenance needs, and additional safety and security needs, such as MTA Long Island Rail Road’s gap mitigation program.

There are three sets of actions/measures proposed in the 2008-2011 Financial Plan:

- **Policy Actions** – spending initiatives that address important needs in the areas of service, customer satisfaction, safety and security. One action is the set-aside of \$30 million in 2008 that will grow to \$60 million a year thereafter to supplement service across the Related Entities. A second initiative will provide money for the agencies (\$34.6 million in 2007) to establish pilot programs that will demonstrably improve and enhance the experience of both customers and employees. It is expected that the second initiative will be continued or expanded if the agency is able to generate recurring savings to offset the cost of the new initiatives in 2008 and beyond.
- **Gap Closing Measures** – an equitable sharing of the burden by all key stakeholders that use and benefit from the systems. The 2008-2011 Financial Plan assumes the following:
  - a fare and toll increase in early 2008 that will result in a 6.5% increase in revenue yield, and an additional inflationary increase in 2010;
  - annual agency budget reductions of 1.5% that do not include service cuts;
  - new State revenues – including State tax re-estimates, payment to the MTA of all dedicated tax fund balances (actual tax collections exceeding estimates and appropriated amounts in prior years), and legislative proposals to tighten up the tax codes. In addition, beginning in 2010, the 2008-2011 Financial Plan provides that a new revenue source(s) in the approximate amount of \$600 million, growing annually with inflation, will be identified and earmarked for the MTA; and
  - employee contributions resulting from contract negotiations, efficiency measures and downsizing.
- **Cash Management Actions** – using current surplus amounts to generate savings in the approximate amount of \$55 million, including:
  - defease approximately \$300 million of debt maturing in 2009 – This was accomplished on September 20, 2007, resulting in 2008-2011 Financial Plan savings of approximately \$19.5 million;

- pre-purchase fuel by locking in approximate 30% of fuel purchases for 2008 and 2009; and
- prepay \$200 million in pension payments.

In the 2007 Mid-Year Forecast and the 2008-2011 Financial Plan, MTA projects the following, after taking into consideration the application of MTA Bridges and Tunnel's operating surplus to mass transit:

- **2007**
  - Before policy actions, gap closing measures and cash management actions, but including the cash balance transfer from 2006 of \$937 million, the 2007 Mid-Year Forecast projects a cash balance in 2007 of \$960 million.
  - After policy actions, gap closing measures and cash management actions, the 2007 Mid-Year Forecast projects a net cash balance in 2007 of \$317 million.
- **2008**
  - Before policy actions, gap closing measures and cash management actions, but including the projected cash balance transfer from 2007 of \$317 million, the 2008 Preliminary Budget projects a cash deficit in 2008 of \$648 million.
  - After policy actions, gap closing measures and cash management actions, the 2008 Preliminary Budget projects a net cash balance of \$323 million.
- **2009-2011**
  - Before policy actions, gap closing measures and cash management actions, but including the projected cash balance transfer from 2008 of \$323 million, MTA is projecting cash deficits in 2009, 2010 and 2011 of \$1.1 billion, \$1.8 billion and \$2.1 billion, respectively.
  - However, if the policy actions, gap closing measures and cash management actions are implemented, including fare and toll yield increases in both 2008 and 2010 as projected in the 2008-2011 Financial Plan, MTA projects that the Related Entities would still have annual cash deficits in 2009, 2010 and 2011 of \$149 million, \$208 million and \$308 million, respectively, that would need to be addressed with additional actions.

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.

In presenting the 2008-2011 Financial Plan to the MTA Board, Executive Director and Chief Executive Officer Elliot G. Sander noted the following major risks associated with the plan: (1) a serious cooling of the real estate market in the MTA Commuter Transportation District, including the commercial real estate market in the City, (2) changing economic conditions that affect ridership and employment, (3) energy supplies that could be disrupted and prices that could become more volatile, and (4) unanticipated growth in controllable expenses.

MTA is expected to update the 2007 Mid-Year Forecast and the associated 2008-2011 Financial Plan in late November 2007. The 2007 Mid-Year Forecast and the associated 2008-2011 Financial Plan may thereafter be revised until its final adoption by the MTA Board, currently expected in December 2007. 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 2009. The four-year financial plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

***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 and fees that secure the Series 2007A Bonds. Prospective investors in the Series 2007A Bonds should review such mid-year update when it is available. See "Factors Affecting Revenues from Dedicated Taxes – *Information Relating to the State of New York*" in Part II of this Official Statement.

### **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 2007A Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2007A 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 2007A BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2007A Bonds.

### APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2007A Bonds (the principal amount thereof less certain financing, legal, bond insurance and miscellaneous expenses of \$5,796,314.66), in the amount of \$424,203,685.34 will be used to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

### DESCRIPTION OF SERIES 2007A BONDS

**Unless the context otherwise indicates, references in the following description to the "Series 2007A Bonds" apply to each subseries of the Series 2007A Bonds independently. Actions may be taken, or determinations made, with respect to one subseries that are not taken or made with respect to any other.**

#### General

***Auction Rate Bonds.*** The Series 2007A Bonds will be dated the date of their initial delivery (the Closing Date) and will mature at the times and in the principal amounts as set forth on the cover page and the inside cover of this official statement. The Series 2007A Bonds initially will be in an Auction Rate Mode. While in an Auction Rate Mode, the Series 2007A Bonds will bear interest at an interest rate determined as described below under "Determination of Interest Rates and Auction Periods for Series 2007A Bonds." **This official statement, in general, describes the Series 2007A Bonds only during the Auction Rate Mode.**

Interest on Series 2007A Bonds that are in an Auction Period of 180 days or less shall be calculated on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date. Interest on Series 2007A Bonds that are in an Auction Period of over 180 days shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

***Credit Enhancement.*** The scheduled payment of principal of and interest on the Series 2007A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2007A Bonds by Ambac Assurance Corporation (Ambac) described below under the caption "Bond Insurance" and in **Attachment 5**.

***Book-Entry-Only System.*** The Series 2007A 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 2007A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$25,000 or integral multiples thereof (Authorized Denominations). So long as DTC is the registered owner of the Series 2007A Bonds, all payments on the Series 2007A Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1** – "Book-Entry-Only System."

***Interest Payments.*** Interest on the Series 2007A Bonds is payable on each Interest Payment Date as described below under the caption "Determination of Interest Rates and Auction Periods for Series 2007A Bonds – Interest Payment Dates." So long as DTC is the sole registered owner of all of the Series 2007A Bonds, all interest payments will be made to DTC by wire transfer of immediately available funds, and DTC's participants will be responsible for payment of interest to beneficial owners. All Series 2007A Bonds are fully registered in Authorized Denominations.

***Transfers and Exchanges.*** So long as DTC is the securities depository for the Series 2007A Bonds, it will be the sole registered owner of the Series 2007A Bonds, and transfers of ownership interests in the Series 2007A Bonds will occur through the DTC Book-Entry-Only System.

**Trustee, Paying Agent and Tender Agent.** The Bank of New York is Trustee, Paying Agent and Tender Agent with respect to the Series 2007A Bonds.

**Determination of Interest Rates and Auction Periods for Series 2007A Bonds**

The initial interest rate for each subseries of the Series 2007A Bonds will be established by MTA and will apply to the period commencing on the Closing Date to and including the initial Auction Date specified below for each such subseries. Thereafter, each subseries of the Series 2007A Bonds will bear interest at an Auction Period Rate (as defined below) determined on each Auction Date for each Auction Period pursuant to the Auction Mode Provisions set forth in **Attachment 4**. The Auction Period and Auction Date applicable to a subseries of the Series 2007A Bonds will be the Auction Period and Auction Date set forth below until the length of such Auction Period is changed to a daily, seven-day, 28-day, 35-day, three-month, six-month or Flexible Auction Period, as described below under the caption “Changes in Auction Period or Auction Date.”

<u>Subseries</u>	<u>Initial Auction Date</u>	<u>Auction Date*</u>	<u>Auction Period**</u>	<u>Initial Interest Payment Date</u>	<u>Interest Payment Date***</u>
2007A-1	November 19, 2007	each Monday	7-day	November 20, 2007	each Tuesday
2007A-2	November 13, 2007	each Tuesday	7-day	November 14, 2007	each Wednesday
2007A-3	November 14, 2007	each Wednesday	7-day	November 15, 2007	each Thursday
2007A-4	November 15, 2007	each Thursday	7-day	November 16, 2007	each Friday
2007A-5	November 16, 2007	each Friday	7-day	November 19, 2007	each Monday

\* Subject to certain conditions and exceptions as described herein.

\*\* Subject to certain exceptions (see **Attachment 4**-Auction Mode Provisions-Definitions-Auction Period.)

\*\*\* Subject to certain exceptions (see **Attachment 4**-Auction Mode Provisions-Definitions-Interest Payment Date.)

**Auction Rate** means, for each subseries of the Series 2007A Bonds for each Auction Period, the interest rate that the Auction Agent advises results from an Auction conducted in accordance with the Auction Mode Provisions described in **Attachment 4**, which rate shall be as follows:

- if Sufficient Clearing Bids exist, the Winning Bid Rate; provided, however, if all of the subseries are the subject of Submitted Hold Orders, the All Hold Rate for each subseries, and
- if Sufficient Clearing Bids do not exist, the Maximum Rate for such subseries.

**Maximum Rate** means the lesser of 12% or the maximum rate permitted by applicable law.

**Auction Period Rate** means with respect to each subseries of the Series 2007A Bonds, the rate of interest to be borne by that subseries during each Auction Period, which shall equal the Auction Rate for each Auction Period, subject to the following exceptions:

- In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in **Attachment 4** under “Determination of Auction Period Rate” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent), or (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that

was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in **Attachment 4** under “Determination of Auction Period Rate” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent), or (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

- Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.
- In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.
- If the Series 2007A Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.
- In no event may the Auction Period Rate exceed the Maximum Rate. See “**Attachment 4** – Auction Mode Provisions – Determination of Auction Period Rate.”

**Interest Payment Dates.** Interest on each subseries of Series 2007A Bonds will be payable on the initial Interest Payment Date and on each Interest Payment Date thereafter. The initial Interest Payment Date and each Interest Payment Date thereafter are set forth above for each subseries of Series 2007A Bonds. In the event of a conversion from the Auction Period then applicable to a subseries of Series 2007A Bonds to another Auction Period, interest on the applicable subseries will be payable on each Interest Payment Date (as defined in **Attachment 4**) for such new Auction Period.

**Auction Date.** An Auction to determine the interest rate for each subseries of Series 2007A Bonds for each Auction Period will be held on the initial Auction Date and each Auction Date thereafter. The initial Auction Date and each Auction Date thereafter are set forth above for each subseries of Series 2007A Bonds. In the event of a conversion from an Auction Period then applicable to a subseries of Series 2007A Bonds to another Auction Period, Auctions will be held on each Auction Date (as defined in **Attachment 4**) for such new Auction Period. The day of the week on which Auctions are held may be changed by the Auction Agent in accordance with **Attachment 4**. See **Attachment 4** – “Auction Mode Provisions – Changes in Auction Period or Auction Date.”

**Auction Agent.** The Trustee will enter into the Auction Agreement with The Bank of New York (the Auction Agent) and MTA, pursuant to which the Auction Agent, as agent for the Trustee, shall perform the duties of Auction Agent. The Auction Agreement will provide, among other things, that the Auction Agent will determine the Auction Rate for each Auction in accordance with the Auction Mode Provisions set forth in **Attachment 4**.

**Auction Mode Provisions.** The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in **Attachment 4**, as are the particulars with regard to the determination of the Auction Period Rate (collectively, the Auction Mode Provisions). See **Attachment 4** – “Auction Mode Provisions.”

**Amendment of the DTF Resolution.** The provisions of the DTF Resolution, with respect to a subseries of Series 2007A Bonds, including without limitation the Auction Mode Provisions and the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the DTF Resolution by obtaining, when required by the DTF Resolution, the consent of the owners of all Series 2007A Bonds of a subseries or, in lieu thereof as permitted by the DTF Resolution, Ambac, the insurer for the Series 2007A Bonds. All owners will be deemed to have consented if on the first Auction Date occurring at least 20 days after the Trustee mailed notice to such owners (i) the Auction Period Rate determined for such date is the Winning Bid Rate or the All Hold Rate and (ii) there has been delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel. See **Attachment 4** – “Auction Mode Provisions – Miscellaneous Provisions Regarding Auctions.”

Changes in Auction Periods and Auction Dates do not require the amendment of the Auction Mode Provisions or any consents. See **Attachment 4** – “Auction Mode Provisions – Changes in Auction Period or Auction Date.”

**Change in the Length of the Auction Period.** MTA may from time to time on the last Interest Payment Date for an Auction Period, change the length of the Auction Period with respect to all of the Series 2007A Bonds of any subseries among a daily, seven-day, 28-day, 35-day, three-month, six-month and a Flexible Auction Period. No such change shall be effective unless Sufficient Clearing Bids existed at the Auction for such new Auction Period. On the date of that change, any Series 2007A Bonds of such subseries which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order. In the event of a failed conversion to another Auction Period due to the lack of Sufficient Clearing Bids, the Series 2007A Bonds of such subseries will automatically convert to a seven-day Auction Period and will bear interest for the next Auction Period at the Maximum Rate. In connection with a conversion from one Auction Period to another Auction Period, written notice of such conversion will be given in accordance with the Auction Mode Provisions; however, the Series 2007A Bonds of a subseries will not be subject to mandatory tender on such conversion date. See **Attachment 4** – “Auction Mode Provisions – Changes in Auction Period or Auction Date.”

**Record Date.** The record date for the Series 2007A Bonds will be the Business Day immediately preceding an Interest Payment Date.

#### **Certain Considerations Relating to the Series 2007A Bonds in an Auction Rate Mode**

**Role of Broker-Dealers.** Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. (the “Broker-Dealers”) have been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and are paid by the issuers or obligors for their services. Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. receive broker-dealer fees from such issuers or obligors at an agreed-upon annual rate that is applied to the principal amount of securities sold or successfully placed through such firms in such auctions.

Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. will be designated in the Broker-Dealer Agreements as the Broker-Dealers to contact Existing Owners and Potential Owners and solicit Bids for the Series 2007A Bonds. The Broker-Dealers will receive Broker-Dealer Fees from the MTA with respect to the Series 2007A Bonds sold or successfully placed through them in Auctions for the Series 2007A Bonds. The Broker-Dealers may share a portion of such fees with other dealers that submit Orders through them that are filled in an Auction for the Series 2007A Bonds.

***Bidding by Broker-Dealers.*** The Broker-Dealers are permitted, but not obligated, to submit Orders in Auctions for the Series 2007A Bonds for their own accounts either as a buyer or seller and routinely do so in the auction rate securities market in their sole discretion. If a Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because such Broker-Dealer would have knowledge of the other Orders placed through it in that Auction for the Series 2007A Bonds and thus, could determine the rate and size of its Order so as to increase the likelihood that (i) its Order will be accepted in the Auction for the Series 2007A Bonds and (ii) the Auction for the Series 2007A Bonds will clear at a particular rate. For this reason, and because the Broker-Dealers are appointed and paid by the MTA to serve as Broker-Dealers in the Auctions for the Series 2007A Bonds, the Broker-Dealers' interest in serving as Broker-Dealers in an Auction for the Series 2007A Bonds may differ from those of Existing Owners and Potential Owners who participate in Auctions for the Series 2007A Bonds. See "Role of Broker-Dealers" above. A Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other Broker-Dealer.

The Broker-Dealers routinely place bids in auctions generally for their own accounts to acquire securities for their inventories, to prevent an "Auction Failure" (which occurs if there are insufficient clearing bids and results in the auction rate being set at the Maximum Rate) or to prevent an auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for such securities. Each Broker-Dealer may place one or more Bids in an Auction for the Series 2007A Bonds for its own account to acquire the Series 2007A Bonds for its inventory, to prevent an Auction Failure or to prevent Auctions for the Series 2007A Bonds from clearing at a rate that such Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. The Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When Bidding in an Auction for the Series 2007A Bonds for its own account, such Broker-Dealer also may Bid inside or outside the range of rates that it posts in its Price Talk. See "Price Talk" below.

The Broker-Dealers routinely encourage bidding by others in auctions generally for which they serve as broker-dealer. A Broker-Dealer also may encourage Bidding by others in Auctions for the Series 2007A Bonds, including to prevent an Auction Failure or to prevent an Auction for the Series 2007A Bonds from clearing at a rate that such Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. Such Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by a Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate — including preventing the Auction Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a lower rate than they might have received had such Broker-Dealer not Bid or not encouraged others to Bid and (ii) the allocation of the Series 2007A Bonds being auctioned — including displacing some Bidders who may have their Bids rejected or receive fewer Series 2007A Bonds than they would have received if such Broker-Dealer had not Bid or encouraged others to Bid. Because of these practices, the fact that an Auction for the Series 2007A Bonds clears successfully does not mean that an investment in the Series 2007A Bonds involves no significant liquidity or credit risk. The Broker-Dealers are not obligated to continue to place such Bids or to continue to encourage other Bidders to do so in any particular Auction for the Series 2007A Bonds to prevent an Auction Failure or an Auction for the Series 2007A Bonds from clearing at a rate a Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. Investors should not assume that the Broker-Dealers will place Bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by a Broker-Dealer or by those it may encourage to place Bids may cause lower Auction Rates to occur.

The statements herein regarding Bidding by a Broker-Dealer apply only to a Broker-Dealer's auction desk and any other business units of such Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In an Auction for the Series 2007A Bonds, if all outstanding Series 2007A Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period will be the All Hold Rate (such a situation is called an "All Hold Auction"). If any of the Broker-Dealers holds any Series 2007A Bonds for their own account on an Auction Date, it is their practice to submit a Sell Order into the Auction for the Series 2007A Bonds with respect to such Series 2007A Bonds, which would prevent that Auction for the Series 2007A Bonds from being an All Hold Auction. A Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction for the Series 2007A Bonds, as set forth above.

**Price Talk.** Before the start of an Auction for the Series 2007A Bonds, a Broker-Dealer, in its discretion, may make available to its customers who are Existing Owners and Potential Owners such Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction for the Series 2007A Bonds based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty that the Auction Rate established through the Auction for the Series 2007A Bonds will be within the Price Talk, and Existing Owners and Potential Owners are free to use it or ignore it. A Broker-Dealer occasionally may update and change the Price Talk based on changes in issuer and insurer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Each Broker-Dealer will use its best efforts to communicate this information in a manner reasonably designed to make it available to all Existing Owners and Potential Owners that were given the original Price Talk. Existing Owners and Potential Owners should confirm with their Broker-Dealer the manner by which such Broker-Dealer will communicate Price Talk and any changes to Price Talk.

**"All-or-Nothing" Bids.** The Broker-Dealers will not accept "all-or-nothing" Bids (*i.e.*, Bids whereby the Bidder proposes to reject an allocation smaller than the entire quantity Bid) or any other type of Bid that allows the Bidder to avoid Auction Procedures that require the pro rata allocation of Series 2007A Bonds where there are not sufficient Sell Orders to fill all Bids at the Winning Bid Rate.

**No Assurances Regarding Auction Outcomes.** The Broker-Dealers provide no assurance as to the outcome of any Auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the Auction for the Series 2007A Bonds will clear at a rate that a Bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Auction Rate on any Series 2007A Bonds purchased or retained in the Auction for the Series 2007A Bonds may be lower than the market rate for similar investments.

The Broker-Dealers will not agree before an Auction to buy Series 2007A Bonds from or sell Series 2007A Bonds to a customer after the Auction.

**Deadlines.** Each particular Auction for the Series 2007A Bonds has a formal deadline by which all Bids must be submitted by the Broker-Dealers to the Auction Agent. This deadline is called the "Submission Deadline." To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, each Broker-Dealer imposes an earlier deadline for its customers — called the "Broker-Dealer Deadline" — by which Bidders must submit Bids to such Broker-Dealer. The Broker-Dealer Deadlines are subject to change by the applicable Broker-Dealer. Each Broker-Dealer will use its best efforts to make this information available by means reasonably expected to reach Existing Owners and Potential Owners. Existing Owners and Potential Owners should consult with their Broker-Dealer as to its Broker-Dealer Deadline. Each Broker-Dealer may correct Clerical Errors by such Broker-Dealer after its Broker-Dealer Deadline and prior to the Submission Deadline. Each Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline. The Auction Procedures set forth in **Attachment 4** provide that until one hour after the Auction Agent completes the dissemination of the results of an Auction, new Orders can be submitted to the Auction Agent if such Orders were received by a Broker-Dealer or generated by a Broker-Dealer for its own account prior to the Submission Deadline and the failure to submit such Orders prior to the Submission Deadline was the result of force majeure, a technological failure or a Clerical Error. In addition until one hour after the Auction Agent completes the dissemination of the results of an Auction, a Broker-Dealer may modify or withdraw an Order submitted to the Auction Agent prior to the Submission Deadline if such Broker-Dealer determines that such Order contained a Clerical Error. In the event of such a submission, modification or withdrawal the Auction Agent will rerun the Auction, if necessary, taking into account such submission, modification or withdrawal.

**Existing Owner's Ability to Resell Auction Rate Securities May Be Limited.** An Existing Owner may sell, transfer or dispose of a Series 2007A Bond, (i) in an Auction for the Series 2007A Bonds, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures set forth in **Attachment 4**, or (ii) outside an Auction for the Series 2007A Bonds, only to or through a Broker-Dealer.

Existing Owners will be able to sell all of the Series 2007A Bonds that are the subject of their Submitted Sell Orders only if there are Bidders willing to purchase all those Series 2007A Bonds in the Auction for the Series 2007A Bonds. If Sufficient Clearing Bids have not been made, Existing Owners that have submitted Sell Orders will not be able to sell in the Auction for the Series 2007A Bonds all, and may not be able to sell any, of the Series 2007A Bonds subject to such Submitted Sell Orders. As discussed above (see “Bidding by Broker-Dealers”), the Broker-Dealers may submit Bids in an Auction for the Series 2007A Bonds to avoid an Auction Failure, but they are not obligated to do so. There may not always be enough Bidders to prevent an Auction Failure in the absence of a Broker-Dealer Bidding in the Auction for the Series 2007A Bonds for its own account or encouraging others to Bid. Therefore, Auction Failures are possible, especially if the MTA’s or Ambac’s credit were to deteriorate, if a market disruption were to occur or if, for any reason, the Broker-Dealers were unable or unwilling to Bid.

Between Auctions for the Series 2007A Bonds, there can be no assurance that a secondary market for the Series 2007A Bonds will develop or, if it does develop, that it will provide Existing Owners the ability to resell the Series 2007A Bonds on the terms or at the times desired by an Existing Owner. Each Broker-Dealer, in its own discretion, may decide to buy or sell the Series 2007A Bonds in the secondary market for its own account from or to investors at any time and at any price, including at prices equivalent to, below, or above par for the Series 2007A Bonds. However, no Broker-Dealer is obligated to make a market in the Series 2007A Bonds and may discontinue trading in the Series 2007A Bonds without notice for any reason at any time. Existing Owners who resell between Auctions for the Series 2007A Bonds may receive an amount less than par, depending on market conditions.

If an Existing Owner purchased a Series 2007A Bond, through a dealer which is not a Broker-Dealer for the Series 2007A Bonds, such Existing Owner’s ability to sell its Series 2007A Bonds may be affected by the continued ability of its dealer to transact trades for the Series 2007A Bonds through a Broker-Dealer.

The ability to resell the Series 2007A Bonds will depend on various factors affecting the market for the Series 2007A Bonds, including news relating to the MTA and Ambac, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning the Series 2007A Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Series 2007A Bonds (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in “Securities and Exchange Commission Settlements” below) or press reports, financial reporting cycles and market conditions generally. Demand for the Series 2007A Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

***Resignation of the Auction Agent or the Broker-Dealer Could Impact the Ability to Hold Auctions.*** The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 60 days notice or 30 days if it has not been paid and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreements provide that the Broker-Dealer thereunder may resign upon five days notice or suspend its duties immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation or suspension, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent or Broker-Dealer, it will not be possible to hold Auctions for the Series 2007A Bonds, with the result that the interest on the Series 2007A Bonds will be determined as described in “DESCRIPTION OF SERIES 2007A BONDS — Determination of Interest Rates and Auction Periods for Series 2007A Bonds — Auction Rate Period”.

***Securities and Exchange Commission Settlements.*** On May 31, 2006, the U.S. Securities and Exchange Commission (the “SEC”) announced that it had settled its investigation of fifteen firms, including the Broker-Dealers, that participate in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Broker-Dealers agreed to pay civil penalties. In addition, each Broker-Dealer, without admitting or denying the SEC’s allegations, agreed to provide to customers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Broker-Dealer to conduct the auction process in accordance with disclosed procedures.

In addition on January 9, 2007, the SEC announced that it had settled its investigation of three banks, including The Bank of New York (the “Settling Auction Agent”), that participate as auction agents in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the Settling Auction Agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that affected the rates paid on the auction rate securities. As part of the settlement, the Settling Auction Agents agreed to pay civil penalties. In addition, each Settling Auction Agent, without admitting or denying the SEC’s allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Settling Auction Agent to conduct the auction process in accordance with disclosed procedures.

### **Changes in Mode**

**General.** Any subseries of the Series 2007A Bonds may be changed to any other Mode at the times and in the manner as summarized herein.

**Notice of Intention to Change Mode.** MTA shall give written notice to the Trustee, the Tender Agent, the Remarketing Agent, each Broker-Dealer, the Auction Agent and the Insurer (the Notice Parties) of its intention to effect a change in the Mode from the Mode then prevailing (the Current Mode) to another Mode (the New Mode) specified in such written notice, together with the proposed effective date of such change in the Mode (the Mode Change Date). Such notice shall be given at least seven Business Days prior to the date on which notice must be sent to the bondholders.

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

1. The Mode Change Date must be an Interest Payment Date following the last day of an Auction Period.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 10:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
  - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
  - a Tender Agency Agreement and a Remarketing Agreement if required for the New Mode, and
  - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2007A Bonds of a subseries tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof.
4. If all conditions to the Mode change are met, the interest period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent.
5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2007A Bonds of a subseries that are the subject of the Mode change:
  - will not be subject to mandatory tender for purchase,
  - will continue to bear interest in the Auction Rate Mode, and
  - the Auction Period Rate for the Auction Period commencing on the failed Mode Change Date shall be equal to the Maximum Rate as determined on the Auction Date for such Auction Period and the Auction Period commencing on the failed Mode Change Date shall be a seven-day Auction Period.

- Thereafter, the Auction Period Rate for each succeeding Auction Period will be determined in accordance with the Auction Mode Provisions and each Auction Period shall be a seven-day Auction Period until the length of the Auction Period is changed.

### **Mandatory Tender for Purchase of Series 2007A Bonds on Any Mode Change Date**

Any subseries of the Series 2007A Bonds to be changed to any Mode from the Auction Rate Mode are subject to mandatory tender for purchase on the Mode Change Date at the purchase price equal to the principal amount thereof (the Purchase Price).

The Purchase Price of Series 2007A Bonds that are subject to mandatory tender for purchase on a Mode Change Date is payable only from the proceeds of the remarketing thereof and any funds advanced by MTA for such purpose at its option. Although MTA has the option to purchase Series 2007A Bonds that are subject to mandatory tender for purchase and that have not been remarketed on the Mode Change Date, it is not obligated to do so. If any Series 2007A Bonds of a subseries subject to mandatory tender for purchase on a Mode Change Date are not purchased, then the Existing Owners of all of the Series 2007A Bonds of such subseries will continue to hold such Series 2007A Bonds in a seven-day Auction Period at the Maximum Rate for the Auction Period commencing on the failed Mode Change Date.

### **Notice of Mandatory Tender for Purchase**

Notice of any mandatory tender of Series 2007A Bonds of a subseries shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each bondholder at the respective addresses shown on the registry books at least 20 days prior to the Mode Change Date. Each notice shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Purchase Date, the Purchase Price, the place and manner of payment, that the bondholder has no right to retain such Series 2007A Bonds and that no further interest will accrue from and after the Mandatory Purchase Date to such bondholder. Each notice shall also specify the conditions that have to be satisfied pursuant to the DTF Resolution in order for the New Mode to become effective, as well as the consequences that the failure to satisfy any of such conditions would have. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the bondholder receives the notice, and the failure of such bondholder to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Series 2007A Bonds of a subseries subject to mandatory tender for purchase on the Mandatory Purchase Date.

### **Remarketing of Series 2007A Bonds of a Subseries; Notices**

The Remarketing Agent for the Series 2007A Bonds being changed to a New Mode shall offer for sale and use its best efforts to find purchasers for all Series 2007A Bonds required to be tendered for purchase.

#### ***Notice of Remarketing; Registration Instructions; New Series 2007A Bonds.***

(i) The Remarketing Agent shall notify the Tender Agent not later than 11:45 a.m. on the Mode Change Date of the registration instructions as may be necessary to re-register Series 2007A Bonds; and

(ii) Unless otherwise permitted by the Securities Depository and the book-entry-only system applicable to a subseries of Series 2007A Bonds, the Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 12:30 p.m. on the Mode Change Date new Series 2007A Bonds of a subseries for the respective purchasers thereof.

***Transfer of Funds.*** The Remarketing Agent shall at or before 11:45 a.m. on the Mode Change Date notify the Tender Agent and MTA of the amount of tendered Series 2007A Bonds of a subseries that were not successfully remarketed. In the event that all of the Series 2007A Bonds of such subseries are successfully remarketed, the Remarketing Agent shall confirm to the Tender Agent the transfer of the Purchase Price of all of the Series 2007A Bonds of such subseries to the Tender Agent in immediately available funds at or before 12:00 noon on the Mode Change Date. In the event that any Series 2007A Bonds of such subseries are not successfully remarketed, MTA shall have the option, but shall not be obligated, to purchase such Series 2007A Bonds. If any Series 2007A Bonds

of a subseries are not purchased on the Mode Change Date, the Existing Owners of all of the Series 2007A Bonds of such subseries will continue to hold such Series 2007A Bonds in a seven-day Auction Period at the Maximum Rate for the Auction Period commencing on the failed Mode Change Date.

***Source of Funds for Purchase of Series 2007A Bonds.***

On or before the close of business on the Mode Change Date with respect to Series 2007A Bonds of a subseries, the Tender Agent shall purchase those Series 2007A Bonds from the bondholders at the Purchase Price. Funds for the payment of that Purchase Price shall be derived only from remarketing proceeds or any funds advanced by MTA at its option. Although MTA has the option to purchase Series 2007A Bonds that are subject to mandatory tender for purchase and that have not been remarketed on the Mode Change Date, it is not obligated to do so. If any Series 2007A Bonds subject to mandatory tender for purchase on a Mode Change Date are not purchased, then the Existing Owners of all of the Series 2007A Bonds of that subseries will continue to hold such Series 2007A Bonds in a seven-day Auction Period at the Maximum Rate for the Auction Period commencing on the failed Mode Change Date.

**Delivery of Remarketed Series 2007A Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed Series 2007A Bonds sold by a Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those remarketed Series 2007A Bonds by 3:00 p.m., on the Mode Change Date.

**Delivery and Payment for Purchased Remarketed Series 2007A Bonds of a Subseries; Undelivered Series 2007A Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed Series 2007A Bonds purchased as set forth above shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Mode Change Date at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any remarketed Series 2007A Bond purchased shall be made only if such Series 2007A Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Mode Change Date, or, if the bondholder has not provided or caused to be provided wire transfer instructions, by check mailed to the bondholder at the address appearing in the books required to be kept by the Trustee pursuant to the DTF Resolution. If Series 2007A Bonds of a subseries to be purchased are not delivered by the bondholders to the Tender Agent by 12:00 noon on the Mode Change Date, the Tender Agent shall hold any funds received for the purchase of those Series 2007A Bonds in trust in a separate account uninvested, and shall pay such funds to the former bondholders upon presentation of the Series 2007A Bonds subject to tender. Undelivered Series 2007A Bonds are tendered and cease to accrue interest as to the former bondholders on the Mode Change Date and moneys representing the Purchase Price shall be available against delivery of those Series 2007A Bonds at the Principal Office of the Tender Agent; provided, however, that any funds so held by the Tender Agent that remain unclaimed by the former holder of any such Series 2007A Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent shall, to the extent permitted by law, upon request in writing by MTA and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to MTA free of any trust or lien and thereafter the former holder of such Series 2007A Bond shall look only to MTA and then only to the extent of the amounts so received by MTA without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Series 2007A Bonds. The Tender Agent shall authenticate a replacement Series 2007A Bond for any undelivered Series 2007A Bond which may then be remarketed by the Remarketing Agent.

## Redemption Prior to Maturity

**Mandatory Sinking Fund Redemption.** The Series 2007A Bonds are subject to redemption in part on November 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year set forth below (or, for Series 2007A Bonds in an Auction Period other than the Flexible Auction Period, if such November 1 is not an Interest Payment Date then on the Interest Payment Date immediately preceding such November 1) the principal amount of such respective Series 2007A Bonds specified for each of the years shown below:

<u>Year</u>	<u>Series 2007A-1 Principal Amount</u>	<u>Series 2007A-2 Principal Amount</u>	<u>Series 2007A-3 Principal Amount</u>	<u>Series 2007A-4 Principal Amount</u>	<u>Series 2007A-5 Principal Amount</u>
2008	\$1,525,000	\$1,525,000	\$1,525,000	\$1,525,000	\$1,525,000
2009	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
2010	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
2011	1,725,000	1,725,000	1,725,000	1,725,000	1,725,000
2012	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
2013	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
2014	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
2015	2,025,000	2,025,000	2,025,000	2,025,000	2,025,000
2016	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
2017	2,175,000	2,175,000	2,175,000	2,175,000	2,175,000
2018	2,275,000	2,275,000	2,275,000	2,275,000	2,275,000
2019	2,350,000	2,350,000	2,350,000	2,350,000	2,350,000
2020	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000
2021	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
2022	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000
2023	2,775,000	2,775,000	2,775,000	2,775,000	2,775,000
2024	2,875,000	2,875,000	2,875,000	2,875,000	2,875,000
2025	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
2026	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
2027	3,225,000	3,225,000	3,225,000	3,225,000	3,225,000
2028	3,350,000	3,350,000	3,350,000	3,350,000	3,350,000
2029	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
2030	3,625,000	3,625,000	3,625,000	3,625,000	3,625,000
2031	3,775,000	3,775,000	3,775,000	3,775,000	3,775,000
2032	3,925,000	3,925,000	3,925,000	3,925,000	3,925,000
2033	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
2034	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
2035	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000
2036	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
2037*	4,775,000	4,775,000	4,775,000	4,775,000	4,775,000

\* Final maturity.

The date on which a sinking fund installment will be due when the Series 2007A Bonds of a subseries entitled to such sinking fund installment are in the Auction Rate Mode will be either the dates set forth above, or if any such date is not an Interest Payment Date, then the Interest Payment Date immediately preceding the date set forth above.

***Credit Toward Mandatory Sinking Fund Redemption.*** MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and if taken, thereafter reduce the amount of term Series 2007A Bonds of any subseries otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase term Series 2007A Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due among subseries as directed by the MTA.
- If MTA purchases or redeems term Series 2007A Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installments in any order, and in any annual amount, that MTA may direct.

***Optional Redemption.*** Each subseries of Series 2007A Bonds shall be subject to optional redemption by MTA, in whole or in part, on any Interest Payment Date immediately following an Auction Period, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date; provided, however, that in the event of a partial redemption of Series 2007A Bonds of a subseries, the aggregate principal amount of Series 2007A Bonds of such subseries which will remain outstanding shall be equal to or more than \$10,000,000 unless otherwise consented to by the Broker-Dealers.

***State and City Redemption.*** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2007A 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 2007A Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2007A 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 2007A Bonds, as a whole, but only in accordance with the terms upon which the Series 2007A Bonds are otherwise redeemable.

***Redemption Notices.*** So long as DTC is the securities depository for the Series 2007A Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2007A 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 2007A 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 2007A 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 2007A Bonds, then on the redemption date the Series 2007A 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 2007A Bonds called for redemption, thereafter, no interest will accrue on those Series 2007A Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2007A Bonds.

## **Bond Insurance**

Concurrently with the issuance of the Series 2007A Bonds, Ambac will issue its financial guaranty insurance policy (the Ambac Insurance Policy) for the Series 2007A Bonds. The Ambac Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2007A Bonds when due as set forth in the form of the Ambac Insurance Policy included as **Attachment 5** to this official statement. Reference is made to **Attachment 5** for information regarding Ambac, the Ambac Insurance Policy and a specimen of the Ambac Insurance Policy.

MTA has granted Ambac certain rights authorized under Section A-202 of the DTF Resolution (as hereinafter defined), including the right to be deemed the sole Owner of the Series 2007A 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 Dedicated Tax Fund Bonds**

Table 1 sets forth, on a cash basis for each State fiscal year ending March 31, (i) the debt service on the outstanding DTF Bonds, (ii) the estimated debt service on the Series 2007A Bonds, and (iii) the debt service on all Bonds outstanding under the DTF Resolution after issuance of the Series 2007A Bonds.

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**Table 1**

**MTA Dedicated Tax Fund Bonds**

**Aggregate Debt Service<sup>(1)</sup>  
(000's omitted)**

Year Ending March 31 <sup>(2)</sup>	Outstanding Bonds <sup>(3)</sup>	Series 2007A Bonds <sup>(4)</sup>	Aggregate Debt Service <sup>(5)</sup>
2008	\$ 253,844	\$ 6,756	\$260,600
2009	253,741	24,959	278,699
2010	202,652	25,018	227,670
2011	255,888	24,938	280,826
2012	255,856	24,972	280,827
2013	255,762	24,931	280,692
2014	255,824	24,996	280,820
2015	255,364	24,983	280,348
2016	255,525	25,012	280,537
2017	255,825	24,913	280,738
2018	255,718	24,802	280,521
2019	255,852	24,856	280,708
2020	255,465	24,864	280,328
2021	255,774	24,828	280,603
2022	255,845	24,822	280,667
2023	256,071	24,796	280,867
2024	257,045	24,831	281,876
2025	257,079	24,804	281,883
2026	257,180	24,834	282,014
2027	257,177	24,716	281,893
2028	257,196	24,733	281,928
2029	257,319	24,631	281,950
2030	257,370	24,693	282,063
2031	257,355	24,626	281,981
2032	257,417	24,647	282,064
2033	259,983	24,596	284,579
2034	116,986	24,659	141,645
2035	72,362	24,553	96,916
2036	48,950	24,564	73,514
2037	26,232	24,528	50,759
2038	0	24,454	24,454
<b>TOTAL</b>	<b><u>\$6,874,657</u></b>	<b><u>\$750,315</u></b>	<b><u>\$7,624,972</u></b>

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

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

<sup>(3)</sup> Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap relating thereto, and 4.00% thereafter. Assumes interest at a rate of 4.00% per annum on the Series 2004B Bonds and the Series 2004D Bonds. Assumes interest at a rate of 3.3156% per annum on the Series 2005A Bonds based on an interest rate swap relating thereto. Takes into account the effects during 2007, 2008 and 2009 of the cash defeasance described under "Recent Developments – MTA Financial Plan Information Updated – Cash Management Actions" in Part I.

<sup>(4)</sup> Assumes interest at a rate of 4.00% per annum.

<sup>(5)</sup> Includes footnotes 1 through 4.

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

Part II of this official statement describes the sources of payment and security structure for all MTA Dedicated Tax Fund Bonds, including the Series 2007A Bonds.

### SOURCES OF PAYMENT

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

#### Revenues from Dedicated Taxes

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

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

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

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

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

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

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

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

Starting in 1980, in response to anticipated operating deficits of State mass transportation systems, the State Legislature enacted a series of taxes, portions of the proceeds of which have been and are to be deposited in a special State Fund – the **Mass Transportation Operating Assistance Fund** – to fund the operations of mass transportation systems. The Metropolitan Mass Transportation Operating Assistance Account, or MMTOA Account, was established in that State Fund to support operating expenses of transportation systems in the MTA Commuter Transportation District, including MTA New York City Transit, MaBSTOA and the commuter railroads operated by MTA’s subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad. After payment of Section 18-b general operating assistance to the various transportation systems, MTA gets approximately 87% 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 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 2008-2011 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) —
  - an annual franchise tax based on the amount of the taxpayer’s issued capital stock, and
  - an annual franchise tax on the taxpayer’s gross earnings from all sources calculated to be in the State pursuant to statutory formulae.

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

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

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

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

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**Table 2 – Summary of MTF Receipts and MMTOA Receipts**

<b>Dedicated Taxes (\$ millions)</b>	<b>State Fiscal Year ending March 31,</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>MTTF</b>					
PBT	\$ 306.6	\$ 313.2	\$ 323.1	\$ 340.8	\$ 325.9
Motor Fuel Tax	63.0	96.6	101.4	101.9	98.9
Motor Vehicle Fees <sup>(1)</sup>	<u>69.6</u>	<u>96.1</u>	<u>126.6</u>	<u>149.8</u>	<u>170.7</u>
<b>Total Available MTF Taxes<sup>(2)</sup></b>	\$ 439.2	\$ 505.9	\$ 551.1	\$ 592.5	\$ 595.5
<b>MTTF Receipts<sup>(3)</sup></b>	\$ 450.2	\$ 495.2	\$ 559.7	\$ 569.3	\$ 608.9
<b>MMTOA</b>					
PBT	\$ 66.3	\$ 72.2	\$ 74.2	\$ 78.8	\$ 72.5
District Sales Tax <sup>(4)</sup>	361.9	399.3	428.9	603.1	688.1
Franchise Taxes	71.1	57.4	64.5	73.6	68.4
Temporary Franchise Surcharges <sup>(5)</sup>	<u>509.5</u>	<u>484.2</u>	<u>571.4</u>	<u>766.2</u>	<u>962.3</u>
<b>Total Available MMTOA Taxes<sup>(6)</sup></b>	<u>\$1,008.8</u>	<u>\$1,013.1</u>	<u>\$1,139.0</u>	<u>\$1,521.7</u>	<u>\$1,791.3</u>
<b>MMTOA Receipts<sup>(7)</sup></b>	\$ 861.5	\$ 730.9	\$ 736.4	\$1,146.7 <sup>(8)</sup>	\$1,069.2 <sup>(8)</sup>
<b>Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)</b>	<u>\$1,311.7</u>	<u>\$1,226.1</u>	<u>\$1,296.1</u>	<u>\$1,516.0<sup>(8)</sup></u>	<u>\$1,878.1<sup>(8)</sup></u>
<b>Debt Service<sup>(9)</sup></b>	\$ 59.7	\$ 141.9	\$ 156.8	\$ 195.4	\$ 231.4
<b>Debt Service Coverage Ratio – MTF Receipts Only</b>	7.54x	3.49x	3.57x	2.91x	2.63x
<b>Debt Service Coverage Ratio – MTF Receipts plus MMTOA Receipts</b>	21.97x	8.64x	8.27x	7.76x <sup>(8)</sup>	8.12x <sup>(8)</sup>

- (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 MTF taxes collected by the State that was deposited into the MTF.
- (3) Represents the amount in the MTF that was, subject to appropriation, paid to MTA by deposit into the MTA Dedicated Tax Fund, thereby becoming MTF Receipts. The amount of MTF Receipts in any State fiscal year could be greater than the amount collected for deposit into the MTF due to, among other things, investment earnings or surplus amounts retained in the MTF 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 and 2007, 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) At the end of the State's 2005-06 fiscal year, the State accelerated the payment of \$200 million of MMTOA Receipts to the MTA in the following manner: it increased appropriations from levels enacted in that fiscal year and upon payment within that fiscal year, required that appropriations that were recommended and subsequently enacted in the State's 2006-07 fiscal year be commensurately reduced. This money is not additional money to MTA since it is received in the same calendar year as originally expected. Total Pledged Revenues for 2006 does not include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2006 also exclude the effect of this \$200 million advance. Total Pledged Revenues for 2007 does include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected in this Table for 2007 are calculated as if this \$200 million advance had not occurred.
- (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.

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 MTTF Receipts and MMTOA Receipts), any money on deposit in that Account and any money received and held by MTA and required to be deposited in that Account, and
- all funds, accounts and subaccounts established by the DTF Resolution (except funds, accounts and subaccounts established pursuant to Supplemental Resolution, and excluded by such Supplemental Resolution from the Trust Estate as security for all DTF Bonds, in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

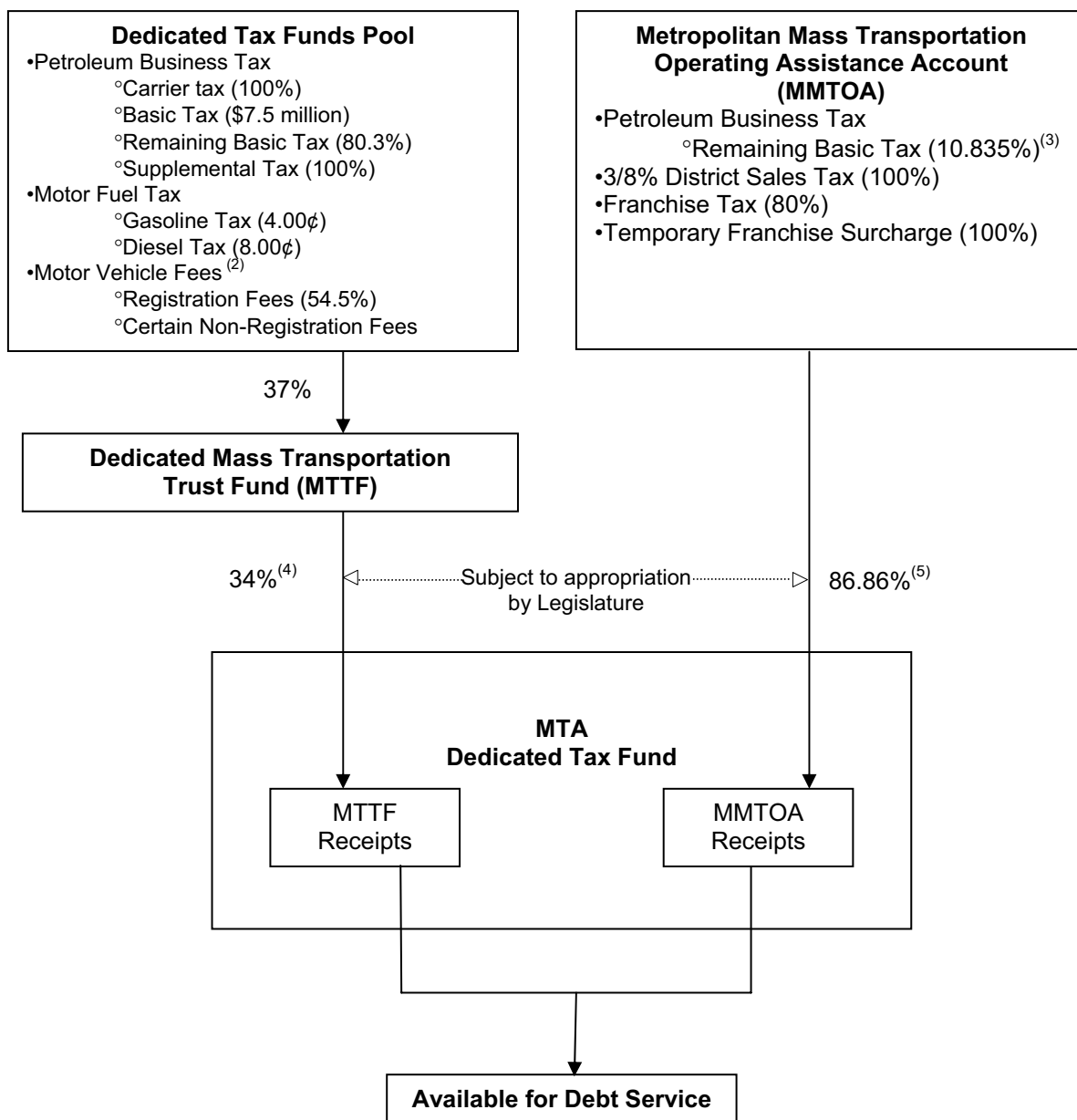
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and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

### **Flow of Funds**

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

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

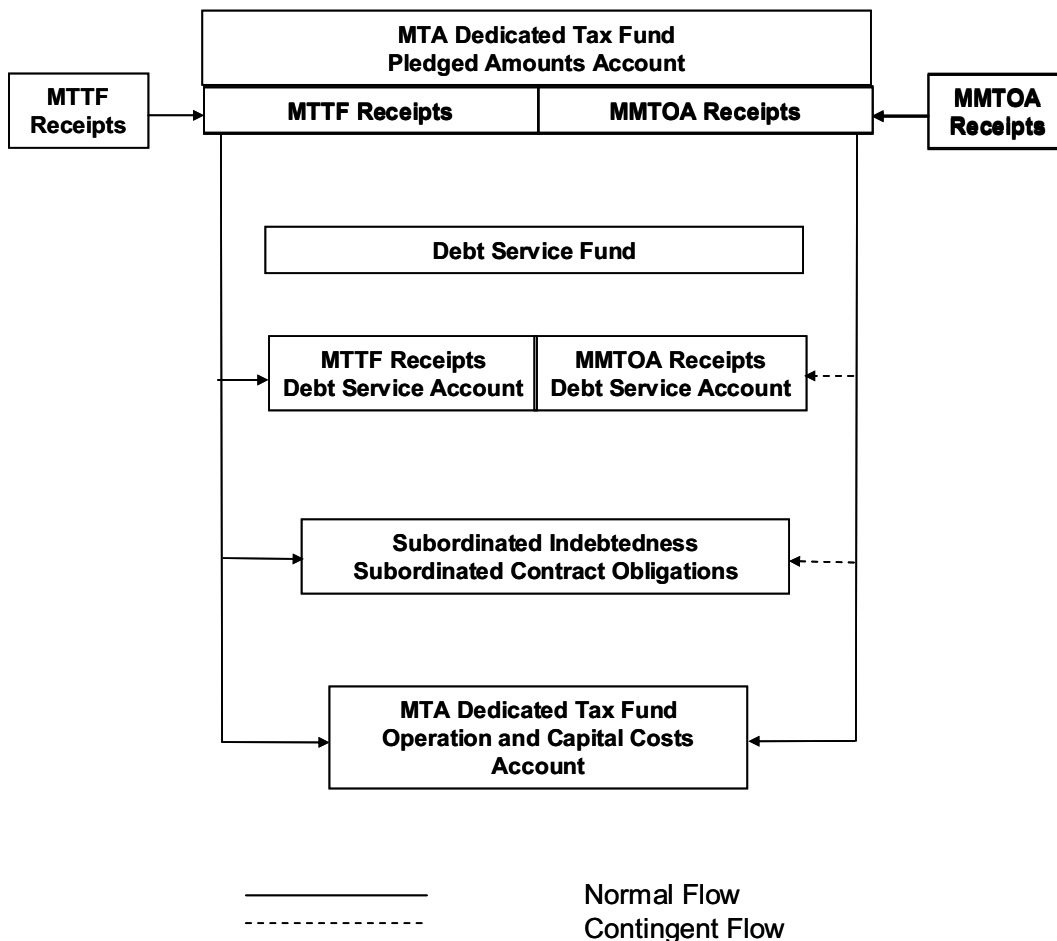
**MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE  
(Through March 31, 2008)<sup>(1)</sup>**



**Notes**

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ending March 31, 2008 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) Includes the additional Motor Vehicle Fees deposited into the Dedicated Funds Pool from time to time.
- (3) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in an account for certain upstate transportation entities.
- (4) Percentage of Dedicated Funds Pool.
- (5) Percentage based upon appropriations in the Enacted Budget for State Fiscal Year 2007-08.

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



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

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

## Debt Service Fund

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

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

## Covenants

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

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

Such certificate must set forth:

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

and then state:

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

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

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

## **Parity Debt**

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

## **Appropriation by the Legislature**

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

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

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2007-08 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, 2008 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2009. The appropriation for the 2007-08 State Fiscal Year took effect on April 1, 2007. 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 2007A BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2007A Bonds.

#### TAX MATTERS

##### General

Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2007A 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 2007A Bonds is:

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

Their opinion is also that under existing law interest on the Series 2007A Bonds is exempt from personal income taxes of New York State or 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 2007A Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2007A Bonds that MTA must continue to meet after the Series 2007A Bonds are issued. These requirements generally involve the way that Series 2007A Bond proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2007A 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 2007A 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 2007A 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 something may happen in the future that could change the tax treatment of the interest on the Series 2007A Bonds or affect the market price of the Series 2007A 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 2007A Bonds, or under State, local or foreign tax law.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on the Series 2007A Bonds. If the bondholder provides the entity from whom she receives interest payments (the “payor”) with a Form W-9, “Request for Taxpayer Identification Number and Certification”, or if the bondholder is one of a limited class of exempt recipients, including corporations, these requirements will be satisfied. Other bondholders will be subject to “backup withholding”; that is, the tax due from a bondholder with respect to any interest payment on the tax-exempt obligation will be deducted and withheld by the payor.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2007A Bonds under federal or state law and could affect the market price or marketability of the Series 2007A Bonds.

Prospective purchasers should be aware that the United States Supreme Court has agreed to review *Davis v. Dep’t. of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), *cert. granted* 2007 U.S. LEXIS 5914 (May 21, 2007), a decision of a Kentucky appellate court, which held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. New York State statutes provide more favorable State and local income tax treatment for holders of bonds issued by the State of New York, its political subdivisions and public authorities, including the Series 2007A Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court was to affirm the holding of the Kentucky appellate court, subsequent New York State judicial decisions or legislation designed to ensure the constitutionality of New York State tax law could, among other alternatives, adversely affect the New York State and local tax exemption of outstanding bonds, including the Series 2007A Bonds, to the extent constitutionally permissible, or result in the exemption from New York State and local income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the Series 2007A Bonds.

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

## **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Series 2007A 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 which limit or prevent their investment in the Series 2007A 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 the MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to MTA, its affiliates or subsidiaries. MTA does not believe that any of these claims or actions would affect the application of the sources of payment for the Series 2007A 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 2007A Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2007A 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 2007A Bonds.

## UNDERWRITING

The Underwriters for the Series 2007A Bonds, acting through Bear, Stearns & Co. Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2007A Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$428,851,939.45, reflecting an Underwriters’ discount of \$1,148,060.55, and to reoffer such Series 2007A Bonds at par.

The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2007A Bonds if any Series 2007A 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 2007A 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 bonds identified in the Summary of Terms generally reflect the ratings of the bond insurer providing credit enhancement for the Series 2007A Bonds. The uninsured/unenhanced underlying ratings of the Bonds are “A+” from Fitch and “AA” from Standard & Poor’s.

## 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.

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

**FURTHER INFORMATION**

MTA may place a copy of this official statement on its website at “www.mta.info.” No statement on the MTA’s website or any other website is included by specific 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/ Kenneth C. Lind            
Acting Director of Finance

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## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2007A Bonds. The Series 2007A 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 2007A Bond will be issued for each maturity of the Series 2007A 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 2007A Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

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

3. Purchases of Series 2007A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007A 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 2007A 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 2007A Bonds, except in the event that use of the book-entry system for the Series 2007A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2007A 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 2007A 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 2007A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007A 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 2007A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2007A Bond documents. For example, Beneficial Owners of the Series 2007A Bonds may wish to ascertain that the nominee holding the Series 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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. A Beneficial Owner shall give notice to elect to have its Series 2007A Bonds purchased or tendered, through its Participant, to the Broker-Dealer, and shall effect delivery of such Series 2007A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2007A Bonds, on DTC's records, to the Broker-Dealer. The requirement for physical delivery of Series 2007A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2007A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2007A Bonds to the Broker-Dealer's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2007A 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 2007A Bonds are required to be printed and delivered.

11. 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 2007A Bonds will be printed and delivered to DTC.

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

## ATTACHMENT 2

### CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), MTA and the Trustee will enter into a written agreement (the “Disclosure Agreement”) for the benefit of holders of the Series 2007A 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, 2008; 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 2007A 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:
  - description of how the State allocates taxes to the MTA Dedicated Tax Fund;
  - 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

- 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 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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.

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 2007A 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 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 2007A 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 \$430,000,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Variable Rate Bonds, Series 2007A (Auction Rate Securities) (the "Series 2007A 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 2007A 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 31, 2007 (collectively, the "Resolution").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007A Bonds in order that interest on the Series 2007A 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 the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2007A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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 Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2007A Bonds as executed and, in our opinion, the form of said Series 2007A 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 2007A 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 2007A 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 2007A Bonds.

4. The MTA, the holders of the Series 2007A 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 2007A 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 2007A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2007A 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 2007A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

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

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2007A 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 2007A 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 2007A 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

### AUCTION MODE PROVISIONS

The following sections contain definitions of certain terms used in this official statement and this **Attachment 4**. Capitalized terms not otherwise defined in this official statement have the meanings set forth in the “Summary of Certain Provisions of the DTF Resolution” or the “Definitions and Summary of Certain Provisions of the Standard Resolution Provisions” that are included by specific cross-reference in this official statement.

Unless the context otherwise indicates, references in this **Attachment 4** to the “Series 2007A Bonds” apply to each subseries of the Series 2007A Bonds independently. Actions may be taken, or determinations made, with respect to one subseries that are not taken or made with respect to the other.

#### Definitions

**Agent Member** means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

**All Hold Rate** has the meaning set forth in Schedule I.

**ARS Conversion Date** means the date on which the Series 2007A Bonds of a subseries convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

**ARS Rate Period** means, for each subseries of Series 2007A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such subseries of Series 2007A Bonds.

**Auction** means each periodic implementation of the Auction Procedures.

**Auction Agent** means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

**Auction Agreement** means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this **Attachment 4** with respect to the Series 2007A Bonds of a subseries bearing interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

**Auction Date** means:

(a) Daily Auction Period. If the Series 2007A Bonds of a subseries are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Series 2007A Bonds of a subseries are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Series 2007A Bonds of a subseries are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such subseries of Series 2007A Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to Series 2007A Bonds of a subseries in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Series 2007A Bonds of such subseries and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for such subseries of Series 2007A Bonds; and provided, further, that if Series 2007A Bonds of such subseries are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for such subseries of Series 2007A Bonds and (y) the Business Day next preceding the final maturity date for Series 2007A Bonds of such subseries. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next

succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for the Series 2007A Bonds of each subseries is set forth in Schedule I.

**Auction Desk** means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Series 2007A Bonds of a subseries, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

**Auction Period** means:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to Series 2007A Bonds of a subseries in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to Series 2007A Bonds of a subseries in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to Series 2007A Bonds of a subseries in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to Series 2007A Bonds of a subseries in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to Series 2007A Bonds a subseries in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction

Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to Series 2007A Bonds of a subseries in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the date set forth on Schedule I;

Provided, however, that if there is a conversion of Series 2007A Bonds of a subseries with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

**Auction Period Rate** means the Auction Rate or any other rate of interest to be borne by the Series 2007A Bonds of each subseries during each Auction Period determined in accordance with the section entitled “Determination of Auction Period Rate” in this **Attachment 4** provided; however, in no event may the Auction Period Rate exceed the Maximum Rate.

**Auction Procedures** means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this **Attachment 4**.

**Auction Rate** means with respect to Series 2007A Bonds of each subseries and for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Series 2007A Bonds of a subseries are the subject of Submitted Hold Orders, the All Hold Rate for such subseries of Series 2007A Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such subseries of Series 2007A Bonds.

**Authorized Denomination** means \$25,000, and integral multiples thereof while the Series 2007A Bonds of a subseries bear interest at the Auction Period Rate.

**Authorizing Document** has the meaning set forth in Schedule I.

**Available Bonds** means, for each subseries of Series 2007A Bonds on each Auction Date, the number of Units of Series 2007A Bonds of such subseries that are not the subject of Submitted Hold Orders.

**Bid** has the meaning specified in subsection (a) under the heading “Orders by Existing Owners and Potential Owners” of this **Attachment 4**.

**Bidder** means each Existing Owner and Potential Owner who places an Order.

**Broker-Dealer** means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this **Attachment 4**, that is a member of, or a direct participant in, the Securities Depository, that has been selected by MTA and that is a party to a Broker-Dealer Agreement with the Auction Agent and MTA. The “Broker-Dealer of record” with respect to any Series 2007A Bond of a subseries is the Broker-Dealer which placed the Order for such Series 2007A Bond of such subseries or whom the Existing Owner of such Series 2007A Bond of such subseries has designated as its Broker-Dealer with respect to such Series 2007A Bond of such subseries, in each case as reflected in the records of the Auction Agent. The Broker-Dealer(s) shall initially be the party(ies) named in Schedule I.

**Broker-Dealer Agreement** means an agreement among the Auction Agent, MTA and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this **Attachment 4**, as such agreement may from time to time be amended or supplemented.

**Broker-Dealer Deadline** means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions described herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

**Business Day** in addition to any other definition of “Business Day” included in the Authorizing Document, while Series 2007A Bonds of any subseries bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the subseries of Series 2007A Bonds.

**Clerical Error** means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

**Conversion Date** means the date on which any Series 2007A Bonds of a subseries begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

**Electronic Means** means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

**Error Correction Deadline** means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

**Existing Owner** means a Person who is the beneficial owner of Series 2007A Bonds of a subseries; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

**Flexible Auction Period** means with respect to Series 2007A Bonds of a subseries,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of Series 2007A Bonds of a subseries with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of Series 2007A Bonds of a subseries with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of Series 2007A Bonds of a subseries with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of Series 2007A Bonds of a subseries with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Series 2007A Bonds of a subseries with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series 2007A Bonds of a subseries.

**Hold Order** means an Order to hold the Series 2007A Bonds of a subseries as provided in the provisions described in subsection (a) under the heading “Orders by Existing Owners and Potential Owners” of this **Attachment 4** or such an Order deemed to have been submitted as provided in the provisions described in subsection (c) under the heading “Orders by Existing Owners and Potential Owners” of this **Attachment 4**.

**Index** has the meaning set forth in Schedule I.

**Initial Period** has the meaning set forth in Schedule I.

**Initial Period Rate** has the meaning set forth in Schedule I.

**Interest Payment Date** has the meaning set forth in Schedule I.

**Maximum Rate** has the meaning set forth in Schedule I.

**Order** means a Hold Order, Bid or Sell Order.

**Person** has the meaning set forth in the Authorizing Document.

**Potential Owner** means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Series 2007A Bonds of a subseries in addition to the Series 2007A Bonds in a subseries currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

**Record Date** means, notwithstanding anything else in the Authorizing Document, while the Series 2007A Bonds of a subseries bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

**Schedule I** means Schedule I to this **Attachment 4**.

**Securities Depository** means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by MTA.

**Sell Order** has the meaning specified in subsection (a) under the heading “Orders by Existing Owners and Potential Owners” of this **Attachment 4**.

**Series 2007A Bonds** has the meaning set forth in Schedule I.

**Submission Deadline** means, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or MTA pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or MTA. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

**Submitted Bid** has the meaning specified in subsection (b) under the heading "Determination of Auction Period Rate" of this **Attachment 4**.

**Submitted Hold Order** has the meaning specified in subsection (b) under the heading "Determination of Auction Period Rate" of this **Attachment 4**.

**Submitted Order** has the meaning specified in subsection (b) under the heading "Determination of Auction Period Rate" of this **Attachment 4**.

**Submitted Sell Order** has the meaning specified in subsection (b) under the heading "Determination of Auction Period Rate" of this **Attachment 4**.

**Sufficient Clearing Bids** means for each subseries of Series 2007A Bonds, an Auction for which the number of Units of Series 2007A Bonds of such subseries that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such subseries of Series 2007A Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

**Units** has the meaning set forth in clause (iii) of subsection (a) under the heading "Submission of Orders by Broker-Dealers to Auction Agent" of this **Attachment 4**.

**Winning Bid Rate** means for each subseries of Series 2007A Bonds, the lowest rate specified in any Submitted Bid of such subseries which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such subseries of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Series 2007A Bonds of such subseries.

**Orders by Existing Owners and Potential Owners.** (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

- (i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:
  - (A) the principal amount of Series 2007A Bonds of a subseries, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,
  - (B) the principal amount of Series 2007A Bonds of a subseries, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) under this heading), and/or
  - (C) the principal amount of Series 2007A Bonds of a subseries, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

- (ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Series 2007A Bonds of a subseries, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a “Hold Order,” an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is referred to as a “Sell Order.”

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Series 2007A Bonds of a subseries. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

- (b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):
  - (A) the principal amount of Series 2007A Bonds of a subseries specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or
  - (B) such principal amount or a lesser principal amount of Series 2007A Bonds of a subseries to be determined as described in subsection (a)(v) under the heading “Allocation of Series 2007A Bonds” hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or
  - (C) a lesser principal amount of Series 2007A Bonds of a subseries to be determined as described in subsection (b)(iv) under the heading “Allocation of Series 2007A Bonds” hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.
- (ii) A Sell Order by an Existing Owner shall constitute an offer to sell:
  - (A) the principal amount of Series 2007A Bonds of a subseries specified in such Sell Order; or
  - (B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) under the heading “Allocation of Series 2007A Bonds” hereof if Sufficient Clearing Bids do not exist.
- (iii) A Bid by a Potential Owner shall constitute an offer to purchase:
  - (A) the principal amount of Series 2007A Bonds of a subseries specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or
  - (B) such principal amount or a lesser principal amount of Series 2007A Bonds of a subseries as described in subsection (a)(vi) under the heading “Allocation of Series 2007A Bonds” hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.
- (c) Anything herein to the contrary notwithstanding:
  - (i) If an Order or Orders covering all of the Series 2007A Bonds of a particular subseries held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders

submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Series 2007A Bonds of the subseries to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer;

- (ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in subsections (e)(ii) and (f) below under the heading “Submission of Orders by Broker-Dealers to Auction Agent”; and
- (iii) for purposes of any Auction other than during a daily Auction Period, any Series 2007A Bonds of a subseries sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

**Submission of Orders by Broker-Dealers to Auction Agent.** (a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Series 2007A Bonds of a subseries, all Orders with respect to Series 2007A Bonds of a subseries accepted by such Broker-Dealer in accordance with the provisions described under the heading “Orders by Existing Owners and Potential Owners” above and specifying with respect to each Order or aggregation of Orders pursuant to subsection (b) below:

- (i) the name of the Broker-Dealer;
- (ii) the number of Bidders placing Orders, if requested by the Auction Agent;
- (iii) the aggregate number of Units of Series 2007A Bonds of such subseries, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Series 2007A Bonds of such subseries;
- (iv) to the extent that such Bidder is an Existing Owner:
  - (A) the number of Units of Series 2007A Bonds of such subseries, if any, subject to any Hold Order placed by such Existing Owner;
  - (B) the number of Units of Series 2007A Bonds of such subseries, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
  - (C) the number of Units of Series 2007A Bonds of such subseries, if any, subject to any Sell Order placed by such Existing Owner; and
- (v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.
- (b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Series 2007A Bonds of the subseries specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

- (c) None of MTA, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.
- (d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Series 2007A Bonds of a subseries for its own account.
- (e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.
- (f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:
  - (i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or
  - (ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this subsection (f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this subsection (f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

- (g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Series 2007A Bonds of a subseries in such Auction of the corrected results.

- (h) Nothing contained herein shall preclude the Auction Agent from:
- (i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Series 2007A Bonds of a subseries; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or
  - (ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

**Treatment of Orders by the Auction Agent.** Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) under this heading and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Series 2007A Bonds of a particular subseries are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Series 2007A Bonds of such subseries subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of Series 2007A Bonds of such subseries subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Series 2007A Bonds of such subseries equal to the excess of the number of Units of Series 2007A Bonds of such subseries for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Series 2007A Bonds of such subseries considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Series 2007A Bonds of such subseries considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee or MTA that any portion of an Order by a Broker-Dealer relates to a Series 2007A Bond of a subseries which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Series 2007A Bond of a subseries which the Auction Agent has been notified by the Trustee or MTA has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Series 2007A Bonds of a particular subseries is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Series 2007A Bonds of a subseries for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Series 2007A Bonds of a particular subseries to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Series 2007A Bonds of a subseries to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not accepted if submitted by a Potential Owner.

**Determination of Auction Period Rate.** (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series 2007A Bonds of a subseries, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for Series 2007A Bonds of each subseries on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Series 2007A Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set for the in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or,

(B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set for the in Schedule I under “Determination of Auction Period Rate” if the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Series 2007A Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

**Allocation of Series 2007A Bonds of a Subseries.** (a) In the event of Sufficient Clearing Bids for a Series 2007A Bonds of a subseries, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each subseries of Series 2007A Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2007A Bonds of a subseries that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Series 2007A Bonds of a subseries that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid, but only up to and including the number of Units of Series 2007A Bonds of a subseries obtained by multiplying (A) the aggregate number of Units of Outstanding Series 2007A Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Series 2007A Bonds of a subseries held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Series 2007A Bonds of a subseries subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Series 2007A Bonds of a subseries;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Series 2007A Bonds of a subseries obtained by multiplying (A) the aggregate number of Units of Outstanding Series 2007A Bonds of a subseries which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Series 2007A Bonds of a subseries subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Series 2007A Bonds of a subseries subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for Series 2007A Bonds of a subseries, Submitted Orders for each Series 2007A Bonds of each subseries shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2007A Bonds of a subseries that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series 2007A Bonds of a subseries that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Series 2007A Bonds of a subseries obtained by multiplying (A) the aggregate number of Units of Series 2007A Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Series 2007A Bonds of a subseries held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of

Units of Outstanding Series 2007A Bonds of a subseries subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Series 2007A Bonds of a subseries; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Series 2007A Bonds of a subseries that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Series 2007A Bonds of a subseries to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Series 2007A Bonds of a subseries purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Series 2007A Bonds on such Auction Date.

(d) If, as a result of the undertakings described in subsection (a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Series 2007A Bonds of a subseries on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Series 2007A Bonds of a subseries for purchase among Potential Owners so that the principal amount of the Series 2007A Bonds of a subseries purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Series 2007A Bonds of a subseries on such Auction Date.

**Notice of Auction Period Rate.** (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to Series 2007A Bonds of each subseries for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Series 2007A Bonds of a subseries, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Series 2007A Bonds of a subseries, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Series 2007A Bonds of a subseries to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Series 2007A Bonds of a subseries to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Series 2007A Bonds of a subseries to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series 2007A Bonds of each subseries for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Series 2007A Bonds of a subseries to be purchased pursuant to such Bid (including, with respect to the Series 2007A Bonds of a subseries in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Series 2007A Bond of a subseries) against receipt of such Series 2007A Bonds of a subseries; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Series 2007A Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to MTA and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

**Index.** (a) If for any reason on any Auction Date the Index shall not be determined as provided in this **Attachment 4**, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided herein shall be conclusive and binding upon MTA, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Series 2007A Bonds of a subseries.

**Miscellaneous Provisions Regarding Auctions.** (a) In this **Attachment 4**, each reference to the purchase, sale or holding of Series 2007A Bonds of a subseries shall refer to beneficial interests in Series 2007A Bonds of a subseries, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to Series 2007A Bonds of a subseries, the provisions of the Authorizing Document and the definitions contained therein and described in this **Attachment 4**, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Series 2007A Bonds of a subseries bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Series 2007A Bonds of such subseries as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to MTA and the Trustee a Favorable Opinion of Series 2007A Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Series 2007A Bonds of such subseries or any exemption from federal income taxation to which the interest on the Series 2007A Bonds of such subseries would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Series 2007A Bonds of such subseries bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies MTA that it is unwilling or unable to continue as registered owner of the Series 2007A Bonds of a subseries or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by MTA within 90 days after MTA receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and MTA shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2007A Bonds of such

subseries. Such Series 2007A Bonds of such subseries shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct MTA and the Trustee.

During an ARS Rate Period, so long as the ownership of the Series 2007A Bonds of a subseries is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Series 2007A Bond of a subseries only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Series 2007A Bonds of a subseries from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Series 2007A Bonds of such subseries to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Series 2007A Bonds of such subseries so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in this **Attachment 4**, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

**Changes in Auction Period or Auction Date.** (a) Changes in Auction Period.

(i) During any ARS Rate Period, MTA, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Series 2007A Bonds of a subseries among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Series 2007A Bonds. MTA shall initiate the change in the length of the Auction Period by giving written notice to MTA, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Series 2007A Bonds of such subseries.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Series 2007A Bonds of any subseries, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Series 2007A Bonds of such subseries if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of MTA, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Series 2007A Bonds of a subseries. The Auction Agent shall provide notice of MTA's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, MTA and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date,

the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to a such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

**SCHEDULE I**  
**to**  
**AUCTION MODE PROVISIONS**

In the event of any conflict between this Schedule I and Attachment 4,  
this Schedule I shall prevail.

**Definitions**

“**All Hold Rate**” means, as of any Auction Date, 55% of the Index in effect on such Auction Date for any Series 2007A Bond of a subseries the interest on which is not includable in gross income of the beneficial owner of such Series 2007A Bond of such subseries for federal income tax purposes and 90% of the Index in effect on such Auction Date for any Series 2007A Bond of a subseries the interest on which is includable in gross income of the beneficial owner of such Series 2007A Bond of a subseries for federal income tax purposes.

“**Auction Agent**” shall initially be The Bank of New York and thereafter any person appointed as such in the Auction Agreement.

“**Auction Date**” shall include as part of the definition the first Auction Date which shall be November 19, 2007 for the Subseries 2007A-1 Bonds, November 13, 2007 for the Subseries 2007A-2 Bonds, November 14, 2007 for the Subseries 2007A-3 Bonds, November 15, 2007 for the Subseries 2007A-4 Bonds, and November 16, 2007 for the Subseries 2007A-5 Bonds.

“**Auction Period**” shall include in the Six-month Auction Period either April 30 or October 31.

“**Authorized Denomination**” means \$25,000 unless another amount is specified herein.

“**Authorizing Document**” means Dedicated Tax Fund Obligation Resolution, adopted by the Authority on March 26, 2002, as amended and supplemented, including as supplemented by the Multiple Series Dedicated Tax Fund Bond Supplemental Resolution, adopted by the Authority on January 31, 2007.

“**Broker-Dealer(s)**” shall initially be Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. with respect to all subseries of the Series 2007A Bonds.

“**Index**” means on any Auction Date with respect to Series 2007A Bonds of a subseries in any Auction Period of 35 days or less, the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBORO1 Page at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market. The Index with respect to Series 2007A Bonds of a subseries in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by MTA and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by MTA. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“**Initial Period**” means the respective periods from the Closing Date to but not including: November 20, 2007 with respect to the Subseries 2007A-1 Bonds, November 14, 2007 with respect to the Subseries 2007A-2 Bonds, November 15, 2007 with respect to the Subseries 2007A-3 Bonds, November 16, 2007 with respect to the Subseries 2007A-4 Bonds and November 19, 2007 with respect to the Subseries 2007A-5 Bonds. Following an ARS Conversion Date the Initial Period shall mean the period specified as the “Initial Period” in the notice of conversion to an ARS Rate Period.

“**Initial Period Rate**” means (a) for an Initial Period commencing on the date of initial delivery of the Series 2007 Bonds of a subseries, the rate set by the managing underwriter prior to delivery of the Series 2007 Bonds of a subseries and (b) for an Initial Period commencing on an ARS Conversion Date the lowest rate which, in

the judgment of the Broker-Dealer, is necessary to enable the Series 2007 Bonds in a subseries to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon MTA, the Trustee, the Auction Agent and the Bondholders. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Trustee, the Borrower and the Auction Agent of the Initial Period Rate by Electronic Means.

“**Interest Payment Date**” includes the first Interest Payment Date which shall be November 20, 2007 for the Subseries 2007A-1 Bonds, November 14, 2007 for the Subseries 2007A-2 Bonds, November 15, 2007 for the Subseries 2007A-3 Bonds, November 16, 2007 for the Subseries 2007A-4 Bonds and November 19, 2007 with respect to the Subseries 2007A-5 Bonds.

“**Maximum Rate**” means for any Series 2007A Bond of a subseries 12% if the interest on such Series 2007A Bonds of such subseries is not includable in gross income of the beneficial owner of such Series 2007A Bond of such subseries for federal income tax purposes or (ii) 18% if the interest on such Series 2007A Bond of such subseries is includable in gross income of the beneficial owner of such Series 2007A Bond of such subseries for federal income tax purposes, or the maximum rate permitted by applicable law.

“**MTA**” means the Metropolitan Transportation Authority.

“**Person**” has the meaning given to such term in the Authorizing Document.

“**Series 2007A Bonds**” means the \$430,000,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Variable Rate Bonds, Series 2007A (Auction Rate Securities).

#### **Auction Procedures**

*Determination of Auction Period Rate.* The percentage of the Index in paragraph (c) under the section headed “Determination of Auction Period Rate” in **Attachment 4** is 75% for any Series 2007A Bond of a subseries the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 110% for any Series 2007A Bond of a subseries the interest on which is includable in gross income of the beneficial owner of such Series 2007A Bond of such subseries for federal income tax purposes.

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## ATTACHMENT 5

### INFORMATION RELATING TO AMBAC ASSURANCE CORPORATION

#### Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (“Ambac”) has made a commitment to issue a financial guaranty insurance policy (the “Ambac Insurance Policy”) relating to the Series 2007A Bonds, effective as of the date of issuance of the Series 2007A Bonds. Under the terms of the Ambac Insurance Policy, Ambac will pay to The Bank of New York, in New York, New York, or any successor thereto (the “Insurance Trustee”), that portion of the principal of and interest on the Series 2007A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Ambac Insurance Policy). Ambac will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2007A Bonds and, once issued, cannot be canceled by Ambac.

The Ambac Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2007A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2007A Bonds, Ambac will remain obligated to pay the principal of and interest on outstanding Series 2007A Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2007A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac’s obligations under the Ambac Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2007A Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

The Ambac Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Ambac Insurance Policy). Specifically, the Ambac Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Ambac Insurance Policy, payment of principal requires surrender of the Series 2007A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2007A Bonds to be registered in the name of Ambac to the extent of the payment under the Ambac Insurance Policy. Payment of interest pursuant to the Ambac Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder’s right to payment to Ambac.

Upon payment of the insurance benefits, Ambac will become the owner of the Series 2007A Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Series 2007A Bond and will be fully subrogated to the surrendering holder’s rights to payment.

The Ambac Insurance Policy does not insure against loss relating to payments made in connection with the sale of the Series 2007A Bonds at auctions or losses suffered as a result of a holder’s inability to sell the Series 2007A Bonds.

The insurance provided by the Ambac Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

### **Ambac Assurance Corporation**

Ambac is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,391,000,000 (unaudited) and statutory capital of approximately \$6,730,000,000 (unaudited) as of June 30, 2007. Statutory capital consists of Ambac's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac.

Ambac has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac under policy provisions substantially identical to those contained in the Ambac Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

Ambac makes no representation regarding the Series 2007A Bonds or the advisability of investing in the Series 2007A Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac and presented under the heading "DESCRIPTION OF SERIES 2007A BONDS – Bond Insurance" and this **Attachment 5**.

### **Available Information**

The parent company of Ambac, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac's financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007;
2. The Company's Current Report on Form 8-K dated and filed on April 25, 2007;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007 and filed on May 10, 2007;
4. The Company's Current Report on Form 8-K dated and filed on July 25, 2007;

5. The Company's Current Report on Form 8-K dated and filed on August 3, 2007;
6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2007 and filed on August 9, 2007; and
7. The Company's Current Report on Form 8-K dated October 10 and filed on October 11, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information.**"

## Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President

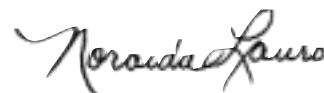


Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

### Ambac Assurance Corporation



President



Secretary

Authorized Representative

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