



\$1,000,000,000
METROPOLITAN TRANSPORTATION AUTHORITY
\$512,470,000 Transportation Revenue Bonds, Series 2008A
\$487,530,000 Transportation Revenue Bonds, Series 2008B

consisting of

\$93,500,000 Subseries 2008B-1
\$134,030,000 Subseries 2008B-2

\$130,000,000 Subseries 2008B-3
\$130,000,000 Subseries 2008B-4

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2008A Bonds and the Series 2008B Bonds (collectively, the Series 2008 Bonds) are being issued to finance transit and commuter projects and/or to refinance any outstanding indebtedness issued by MTA or MTA Bridges and Tunnels for transit and commuter projects.

The Series 2008 Bonds—

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

MTA has no taxing power.

The Series 2008B Bonds will constitute Variable Interest Rate Obligations and will bear interest at the Term Rate from their date of delivery as set forth on the inside cover.

In the opinion of Nixon Peabody LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2008 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 2008 Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State, including The City of New York.

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

The Series 2008B Bonds are subject to mandatory tender for purchase on their respective Reset Dates (as shown on the inside cover) but solely from remarketing proceeds. This Official Statement is not intended to describe the Series 2008B Bonds from and after their respective Reset Dates.

The Series 2008 Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through DTC's facilities, on or about February 21, 2008.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2008 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.

JPMorgan

Lehman Brothers

UBS Investment Bank

Bear, Stearns & Co. Inc.

Citi

Banc of America Securities LLC

DEPFA First Albany Securities LLC

Loop Capital Markets, LLC

Merrill Lynch & Co.

Morgan Stanley

M.R. Beal & Company

Ramirez & Co., Inc.

Raymond James & Associates, Inc.

RBC Capital Markets

Roosevelt & Cross, Inc.

Siebert Brandford Shank & Co., LLC

Wachovia Bank, N.A.

\$1,000,000,000
Metropolitan Transportation Authority
Transportation Revenue Bonds, Series 2008

\$512,470,000 Series 2008A Bonds

\$82,940,000 Serial Bonds

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number (59259R)⁽¹⁾</u>
2009	\$16,345,000	4.00%	2.00%	5D2
2010	15,425,000	4.00	2.35	5E0
2016	1,710,000	5.00	3.61	5F7
2017	24,125,000	5.00	3.78	5G5
2018	25,335,000	5.00	3.91	5H3

\$429,530,000 Term Bonds

\$82,470,000	5.25%	Series 2008A Term Bonds Due November 15, 2036
		Priced to Yield 4.70% ⁽²⁾ CUSIP Number 59259R5J9 ⁽¹⁾
\$200,000,000	5.00%	Series 2008A Term Bonds Due November 15, 2037
		Priced to Yield 4.86% ⁽²⁾ CUSIP Number 59259R5K6 ⁽¹⁾
\$147,060,000	4.50%	Series 2008A Term Bonds Due November 15, 2038
		Priced to Yield 4.85% CUSIP Number 59259R5L4 ⁽¹⁾

\$487,530,000 Series 2008B Mandatory Tender Bonds

<u>Subseries</u>	<u>Stated Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Reset Date (November 15)</u>	<u>Interest Rate to Reset Date</u>	<u>Yield to Reset Date</u>	<u>CUSIP Number (59259R)⁽¹⁾</u>
B-1	2016	\$ 93,500,000	2011	5.00%	3.00% ⁽³⁾	5M2
B-2	2023	134,030,000	2012	5.00	3.21 ⁽³⁾	5N0
B-3	2027	130,000,000	2013	5.00	3.38 ⁽³⁾	5P5
B-4	2030	130,000,000	2014	5.00	3.52 ⁽³⁾	5Q3

The Series 2008 Bonds are subject to mandatory sinking fund redemption, optional redemption and redemption by the State and The City of New York as described under the caption “DESCRIPTION OF SERIES 2008 BONDS – Redemption Prior to Maturity” in Part I. The following summarizes the optional redemption provisions: the Series 2008A Bonds maturing on or after November 15, 2036 are subject to optional redemption prior to maturity on any date on or after November 15, 2017, at the option of MTA, in whole or in part at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date. The Series 2008B Bonds are not subject to optional redemption prior to their respective Reset Dates. The Series 2008B Bonds are subject to optional redemption on their respective Reset Dates at the option of MTA, in whole or in part, from available amounts, on the related Reset Date and on any Business Day during the Delayed Remarketing Period (as defined herein), at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

⁽¹⁾ 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 2008 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 2008 Bonds or as indicated above.

⁽²⁾ Priced at the stated yield to the November 15, 2017 optional redemption date at a redemption price of 100%.

⁽³⁾ Priced at the stated yield to the Reset Date at a redemption price of 100%.

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

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

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

NIXON PEABODY LLP
New York, New York
Bond Counsel

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

SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2008 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 the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.
Bonds Being Offered	Transportation Revenue Bonds, Series 2008A and Series 2008B.
Purpose of Issue.....	To finance transit and commuter projects and/or to refinance any outstanding indebtedness issued by MTA or MTA Bridges and Tunnels for transit and commuter projects.
Maturities and Rates	See inside cover.
Denominations.....	\$5,000 and integral multiples of \$5,000.
Interest Payment Dates	May 15 and November 15, commencing May 15, 2008.
Redemption.....	See “DESCRIPTION OF SERIES 2008 Bonds – Redemption Prior to Maturity” in Part I.
Mandatory Tender of the Series 2008B Bonds.....	See “DESCRIPTION OF SERIES 2008 Bonds – Mandatory Tender for Purchase” in Part I.
Sources of Payment and Security	MTA’s pledged transportation revenues from Transit and Commuter System operations, MTA Bus operations, MTA Bridges and Tunnels operating surplus, subsidies from governmental entities and certain other sources, all as described in Part II.
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee	The Bank of New York, New York, New York.
Bond Counsel	Nixon Peabody LLP, New York, New York.
Tax Status	See “TAX MATTERS” in Part III.
Ratings.....	<u>Rating Agency</u> Moody’s: A2 Standard & Poor’s: A Fitch: A See “RATINGS” in Part III.
Financial Advisor	Goldman, Sachs & Co.
Underwriters.....	See cover page. J.P. Morgan Securities Inc. is the representative of the Underwriters for the Series 2008 Bonds.
Underwriters’ Discount	See “UNDERWRITING” in Part III.
Counsel to the Underwriters	Sidley Austin LLP, New York, New York.

-
- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2008 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 2008 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 2008 Bonds being offered, or anything else related to this bond issue.
 - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
 - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with, the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.
 - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.
 - ***Overallotment and Stabilization.*** The Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2008 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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- Attachment 3** – Form of Opinion of Bond Counsel

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 2008 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
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit 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:

- MTA’s Unaudited Consolidated Financial Statements for the nine-month period ended September 30, 2007⁽¹⁾
- Summary of Certain Provisions of the Transportation Resolution⁽²⁾
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions⁽²⁾
- Form of the Interagency Agreement⁽²⁾

⁽¹⁾ Copies of MTA’s Unaudited Consolidated Financial Statements for the nine-month period ended September 30, 2007 can also be found on the MTA website at www.mta.info/mta/budget/pdf/3q07.pdf.

⁽²⁾ Copies of these summaries can be found on the MTA website (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 certain transit and commuter operations and capital projects.

The board members of MTA serve as the board members of MTA’s affiliates and subsidiaries, which, together with MTA, are referred to herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 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 by **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 2008 Bonds.
- **Part II** describes the sources of payment and security for all Transportation Revenue Bonds, including the Series 2008 Bonds.
- **Part III** provides miscellaneous information relating to the Series 2008 Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2008 Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2008 Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2008 Bonds.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the 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, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
Email: NRMSIR@interactivedata.com

DPC Data Inc.

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

Standard & Poor's Securities Evaluations, Inc.

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

Information Included by Specific Cross-reference. The information listed under the caption "Information Included by Specific Cross-reference" 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 2008 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 and MTA Fare Increase Adopted. On November 28, 2007, MTA, on behalf of the Related Entities, presented an updated 2007 budget (the 2007 November Budget Projections) and a proposed financial plan for the years 2008-2011 (the November 2008-2011 Financial Plan) that included a final proposed budget for 2008 (the 2008 Final Proposed Budget) and a financial plan for the years 2009-2011. The 2007 November Budget Projections updated the information set forth in the July Mid-Year Forecast (the 2007 July Mid-Year Forecast). The November 2008-2011 Financial Plan, among other things, projected that non-recurring improvements totaling \$222 million (compared to the July Mid-Year forecast) would allow MTA to reduce the proposed fare and toll yield increases described in the July 2007 preliminary version of the 2008-2011 Financial Plan (the July 2008-2011 Financial Plan) from 6.5% to 3.85% and hold the base fare for subway and bus riders at \$2.00.

On December 19, 2007, the MTA Board approved proposed fares and fare structures for the subway, bus and commuter rail systems, as well as proposed increases in bridge and tunnel crossing charges. The new fares and fare structure, which are expected to be implemented on March 2, 2008, together with the increased bridge and tunnel crossing charges to be implemented on March 16, 2008, are projected to provide an additional revenue yield of approximately 3.85%. See "*2008 Fare and Toll Adjustments*" below for a discussion of changes to fares to be effective in March 2008.

Also on December 19, 2007, the MTA Board adopted the 2008 Final Proposed Budget, including the 2007 November Budget Projections and the associated November 2008-2011 Financial Plan. 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. In addition, the plan includes a preliminary estimate of debt service for borrowing for 2010-2014 Capital Program expenditures. It was assumed at the time the plan was developed in November that the core Capital Program would be funded in a similar fashion as the 2005-2009 MTA Capital Program and the remainder of the Second Avenue Subway Phase 1 and East Side Access projects would be funded. As described under "*New MTA Capital Program Required by Congestion Pricing Legislation*" below, MTA is required to submit capital program plans for the Transit System and the Commuter System to the Review Board by March 31, 2008, covering the July 1, 2008 through December 31, 2013 period.

Copies of the 2008 Final Proposed Budget and the November 2008-2011 Financial Plan are posted on MTA's website (www.mta.info) under "Financial Plan/Budget."

Three sets of actions/measures were proposed in the November 2008-2011 Financial Plan that has now been adopted by the MTA Board:

- **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 \$27 million in 2008 that will grow to \$60 million a year thereafter to supplement service across the Related Entities. Actual implementation of these service enhancements will await review of revenues at the end of March 2008. A second initiative provided \$34.6 million in 2007 for the agencies to establish pilot programs that will demonstrably improve and enhance the experience of both customers and employees. For those agencies that requested a continuation or expansion of the second initiative beyond the pilot, the Board approved cost reductions that are estimated 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 November 2008-2011 Financial Plan assumes the following:
 - o a fare and toll increase in early 2008 that will result in a 3.85% increase in revenue yield, and an additional inflationary increase in 2010;
 - o annual agency budget reductions of 1.5% that do not include service cuts;

- o new State revenues – including State tax re-estimates, payment to 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. These State tax estimates reflect the State Fiscal Year 2007-08 enacted budget. The Governor’s Executive Budget reflects appropriations for MTA State tax revenues consistent with MTA’s 2008 Adopted Budget. The Governor’s budget reflects downturns in State Fiscal Year 2007-2008 business taxes compared with the growth assumed in the State Fiscal Year 2007-08 enacted budget; these downturns in business tax yields, notably affecting the MTA corporate tax surcharge this State Fiscal Year, are offset in State Fiscal Year 2008-2009 by growth predicated on various tax loophole closers and other tax-related actions proposed by the Governor. However, if the taxes and/or alternate funds do fall short of projections, due to a further slowdown in the economy or failure to enact the Governor’s tax proposals, MTA will seek additional aid and, if not available, expense reductions or other positive variances would be needed to cover the shortfall. In addition, beginning in 2010, the November 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 MTA; and
- o 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:
 - o 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.
 - o pre-purchase fuel by locking in approximate 30% of fuel purchases for 2008 and 2009 – This has not yet been accomplished and MTA continues to explore ways of locking in future fuel prices. Because fuel costs have risen sharply during the third quarter, MTA is establishing a fuel reserve of \$22 million (which reflects current prices) in 2008 to compensate for recent price increases.
 - o prepay \$200 million in pension payments – This was accomplished in November 2007.

In the 2007 November Budget Projections, the 2008 Final Proposed Budget and the November 2008-2011 Financial Plan, MTA projects the following, after taking into consideration the application of MTA Bridges and Tunnels’ operating surplus to mass transit:

- **2007**
 - o After policy actions, gap closing measures and the items described above under “Cash Management Actions,” and including the cash balance transfer from 2006 of \$937 million, the 2007 November Budget Update projects a cash balance in 2007 of \$521 million.
- **2008**
 - o Before policy actions, gap closing measures and the fuel pre-purchase cash management action, but including the projected cash balance transfer from 2007 of \$521 million, the 2008 Final Proposed Budget projects a cash deficit in 2008 of \$249 million.
 - o After policy actions, gap closing measures and the fuel pre-purchase cash management action, the 2008 Final Proposed Budget projects a net cash balance of \$377 million.
- **2009-2011**
 - o Before policy actions, gap closing measures and the fuel pre-purchase cash management action, but including the projected cash balance transfer from 2008 of \$377 million, MTA is projecting cash deficits in 2009, 2010 and 2011 of \$0.75 billion, \$1.8 billion and \$2.1 billion, respectively.

- o However, if the policy actions, gap closing measures, including the addition of a new revenue source(s) in 2010 and fare and toll yield increases in both 2008 and 2010 as projected in the November 2008-2011 Financial Plan, and the fuel pre-purchase cash management action are implemented, MTA projects that the Related Entities would have annual cash deficits in 2009, 2010 and 2011 of \$201 million, \$333 million and \$411 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.

The following issues, among others, continue to be 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 and business tax collections, (3) energy supplies that could be disrupted and prices that could become more volatile, and (4) unanticipated growth in controllable expenses.

2008 Fare and Toll Adjustments. In order to address the baseline deficits projected beginning in 2009 in the November 2008-2011 Financial Plan, the MTA Board authorized on December 19, 2007 (other than as specifically noted below) the following fare and toll increases to be put into effect in 2008:

- **Transit** – The MetroCard base fare of \$2 will remain unchanged. Effective March 2, 2008, the price of the 7-Day Unlimited Ride MetroCard will increase to \$25 from \$24 and the 30-Day Unlimited Ride MetroCard increase to \$81 from \$76. The fare for the new 14-Day Unlimited Ride MetroCard is \$47. The MetroCard bonus percentage was reduced from 20% to 15% and, on January 30, 2008, the MTA Board authorized that the MetroCard minimum purchase amount for the bonus to apply be reduced to \$7 from \$10.
- **Commuter** – For travel within New York State, effective March 1, 2008, for the vast majority of monthly and weekly commuters the price for a rail ticket will increase by between 3.76% and 4.25%. However, the overall average increase for one-way, ten-trip, weekly and monthly tickets is 3.85%.
- **Bridges and Tunnels** – Effective March 16, 2008:
 - o E-ZPass tolls for passenger vehicles will increase by up to 3.75% for passenger vehicles except on the Henry Hudson Bridge, where the increase will be 8.6% (\$0.15). Commercial vehicle tolls will also increase. Commercial vehicles that use E-ZPass will receive a 25% discount off the cash toll rate which is an increase in the discount from the current 20%.
 - o Cash tolls for passenger vehicles: tolls on the major facilities (Triborough, Verrazano-Narrows, Bronx-Whitestone and Throgs Neck Bridges and the two tunnels) and the Henry Hudson Bridge will increase by \$0.50 and tolls on the minor facilities (Marine Parkway-Gil Hodges and Cross Bay Veterans Memorial Bridges) will increase by \$0.25. Commercial vehicle tolls will also increase.

The fare and toll increase is expected to provide a 3.85% increase in revenue yield.

The February Financial Plan for 2008-2011 will incorporate the Board's actions relating to the approval of the 2008 Budget, including the fare and toll increases, the effect of recent labor settlements and other non-material technical adjustments on agency budgets. The February Financial Plan will be posted on the MTA website at the end of February.

New MTA Capital Program Required by Congestion Pricing Legislation. In July 2007, legislation was enacted to, among other things, create a New York City Traffic Congestion Mitigation Commission (the Commission) to undertake a review and study of plans to reduce traffic congestion and other related health and safety issues within the City, including issues relating to implementing a traffic congestion mitigation plan to be

developed and submitted by the Mayor of the City. On January 31, 2008, the Commission issued its Report and Recommendations. The Commission recommended that the State Legislature and the Governor enact, upon recommendation by the Mayor and City Council, a congestion fee system that would reduce traffic in the City's central business district, improve air quality and raise significant funds for mass transit. The Commission estimated that its plan would raise approximately \$490 million per year, which it recommended should be dedicated to mass transportation improvements. The Commission's recommendations have been forwarded to the Mayor, the City Council, the Governor and the State Legislature for review and further action. MTA cannot predict whether the congestion fee system recommended by the Commission will be enacted, the form of any such enacted system, or the effects of such system and related provisions on MTA and the Related Entities. A copy of the Commission Report and Recommendations is available at https://www.nysdot.gov/portal/page/portal/programs/repository/TCMC_FINAL_REPORT.pdf.

Pursuant to the legislation, MTA is required to submit to the Review Board on or before March 31, 2008 two capital program plans for the period July 1, 2008 through December 31, 2013, one for the Transit System and the other for the Commuter System, each incorporating the components of a congestion pricing plan and/or other congestion mitigation measures acted on by the State Legislature. MTA is in the process of preparing the capital program plans. The capital costs of such plans are expected to be at least equal to the existing 2005-2009 MTA Capital Program.

Construction Cost Inflation. Over the last several months, MTA has received bid prices for construction of portions of several of its major public works projects that are significantly in excess of MTA's estimated and budgeted costs for such work. MTA believes that this inflation is due to a number of factors, including heavy demand for and a short supply of contractors for large scale public works projects regionally and nationally. MTA will be conducting a review of the impact of such construction cost inflation on these major projects and it is anticipated that a report and recommendations will be presented to the MTA Board at the end of February 2008. It is not expected that this construction cost inflation will have a material adverse effect on MTA's ability to complete the state of good repair and normal replacement projects that are included in the existing 2005-2009 MTA Capital Program.

Shared Service/Business Services Center. On January 28, 2008, MTA announced that it will establish a consolidated business service center to provide finance and human resources transactional services for MTA and the Related Entities. This program, which is expected to save \$40 million in operating costs annually when the program is fully operational, is a cornerstone of MTA's institutional transformation initiative, which aims to reduce redundancy in operations wherever possible. MTA projects that it will take five years to build and implement all of the business service center operations, at a cost of \$170 to \$235 million, including capital elements.

GASB Statement No. 45 (OPEB). GASB Statement No. 45 relating to accounting and financial reporting by employers for post-employment benefits other than pensions (OPEB) currently applies to MTA. MTA has received a report from an independent consultant and actuary firm that values, consistent with GASB Statement No. 45, the present value of OPEB costs for past and current employees, including retirees, of the Related Entities to be approximately \$13.6 billion. The following chart allocates that value by agency:

<u>Agency</u>	<u>GASB 45 Present Value (in millions)</u>
MTA New York City Transit (including MaBSTOA)	\$10,465.3
MTA Long Island Rail Road	1,186.6
MTA Metro-North Railroad	469.8
MTA Bridges and Tunnels	576.6
MTA Headquarters	378.7
MTA Long Island Bus	47.1
MTA Staten Island Railway	25.7
MTA Bus	<u>473.4</u>
Total	<u>\$13,623.2</u>

MTA has adopted certain methods and assumptions to determine the 2007 expense for OPEB and to amortize the liability. Many of those methods and assumptions are detailed in Footnote 5 to MTA's third quarter unaudited consolidated financial statements included herein by specific cross-reference.

See "EMPLOYEES, LABOR RELATIONS AND PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS – OPEBS" in Part 5 of **Appendix A** for a more complete description of OPEB and the contributions made, and projected to be made, by the Related Entities.

Third Quarter Unaudited Financial Statements. MTA recently filed with the NRMSIRs its third quarter 2007 consolidated unaudited financial statements. The review of the quarterly financial statements is conducted in accordance with the standards established by the American Institute of Certified Public Accountants. A copy of the financial statements has also been (1) posted on MTA's website as set forth under "*Information Included by Specific Cross-reference*" on page v and (2) transmitted to DAC for filing with the repositories.

Property Insurance Renewed. Effective October 31, 2007, FMTAC, MTA's captive insurance company subsidiary, renewed the all-agency property insurance program. For the period October 31, 2007 through May 1, 2009, FMTAC directly insures property damage claims of the Related Entities in excess of a \$25 million per occurrence self-insured retention ("SIR"), subject to an annual \$75 million aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7.5 million per occurrence. The total program limit has been maintained at \$1.25 billion per occurrence covering property of the Related Entities collectively. With the exception of acts of terrorism (both domestic and foreign), FMTAC is reinsured in the domestic, London, European and Bermuda marketplaces for this coverage. Given the absence of major catastrophes in 2006 and 2007, available capacity has emerged, along with pricing reductions. As a result, FMTAC was able to obtain additional reinsurance capacity over last year and has fully reinsured the all-risk component for the full \$1.25 billion, subject to certain program sublimits.

The property insurance program provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property with minor exceptions. The policy also provides extra expense and business interruption coverages.

With respect to acts of terrorism, FMTAC is reinsured by the United States Government for 85% of "certified" losses, as covered by the Terrorism Risk Insurance Act of 2007, originally introduced in 2002 and extended in 2007 (TRIA 2007). Under the 2007 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. Until 2007, the Act only provided coverage for acts sponsored by foreign organizations. The remaining 15% of MTA losses would be covered under an additional policy described below. Additionally, no federal compensation will be paid unless the aggregate industry insured losses exceed a \$100 million ("trigger").

To supplement the reinsurance to FMTAC through TRIA 2007, the MTA obtained an additional commercial reinsurance policy with Lexington Insurance Co. (part of AIG). That policy provides coverage for (1) 15% of any "certified" act of terrorism - up to a maximum recovery of \$183.75 million for any one occurrence, or (2) 100% of any "certified" terrorism loss which does not reach the \$100 million trigger - up to a maximum recovery of \$100 million for any occurrence. This coverage expires on April 30, 2009. Recovery under this policy is subject to a retention of \$25 million per occurrence and \$75 million in the annual aggregate - in the event of multiple losses during the policy year. Should the MTA's retention in any one year exceed \$75 million, then future losses in that policy year are subject to a retention of just \$7.5 million.

PART I. SERIES 2008 BONDS

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

APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2008 Bonds (the principal amount thereof plus net original issue premium of \$42,954,551.20 and less certain financing, legal and miscellaneous expenses of \$13,062,071.83), in the amount of \$1,029,892,479.37 will be used to finance transit, commuter and MTA Bus projects set forth in the approved MTA Capital Programs and/or to refinance any outstanding indebtedness issued by MTA or MTA Bridges and Tunnels for transit and commuter projects set forth in the approved MTA Capital Programs.

DESCRIPTION OF SERIES 2008 BONDS

General

Book-Entry-Only System. The Series 2008 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 2008 Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2008 Bonds, all payments on the Series 2008 Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1**—"Book-Entry-Only System."

Interest Payments. The Series 2008 Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this official statement. Interest will be paid on each May 15 and November 15, beginning May 15, 2008. So long as DTC is the sole registered owner of all of the Series 2008 Bonds, all interest payments will be paid to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

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

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

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The term bonds shown below are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof from mandatory Sinking Fund Installments that are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2008A Bonds shown below:

<u>Series 2008A 2036 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2034	\$37,470,000
	2035	20,000,000
final maturity	2036	25,000,000
average life – 27.582 years		

<u>Series 2008A 2037 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2030	\$17,220,000
	2031	43,180,000
	2032	45,340,000
	2033	47,610,000
	2034	12,520,000
	2035	10,000,000
	2036	20,000,000
final maturity	2037	4,130,000
average life – 25.362 years		

<u>Series 2008A 2038 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2035	\$22,580,000
	2036	10,150,000
	2037	53,785,000
final maturity	2038	60,545,000
average life – 29.769 years		

<u>Series 2008B-1 Mandatory Tender Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2012	\$17,040,000
	2013	18,725,000
	2014	20,470,000
	2015	22,290,000
final maturity	2016	14,975,000
average life – 6.727 years		

<u>Series 2008B-2 Mandatory Tender Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2016	\$ 6,500,000
	2017	1,000,000
	2018	1,000,000
	2019	26,825,000
	2020	27,900,000
	2021	29,015,000
	2022	30,180,000
final maturity	2023	11,610,000
average life – 13.229 years		

<u>Series 2008B-3 Mandatory Tender Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2023	\$19,780,000
	2024	32,650,000
	2025	33,960,000
	2026	35,320,000
final maturity	2027	8,290,000
average life – 17.577 years		

<u>Series 2008B-4 Mandatory Tender Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2027	\$28,550,000
	2028	38,315,000
	2029	39,230,000
final maturity	2030	23,905,000
average life – 21.183 years		

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 2008 Bonds of the same maturity and interest rate otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase term Series 2008 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.
- If MTA purchases or redeems term Series 2008 Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installment requirements in any order, and in any annual amount, that MTA may direct.

Optional Redemption. The Series 2008A Bonds maturing on or after November 15, 2036 are subject to redemption prior to maturity on any date on or after November 15, 2017, at the option of MTA, in whole or in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

The Series 2008B Bonds are not subject to optional redemption prior to their respective Reset Dates. The Series 2008B Bonds of each subseries are subject to redemption at the option of MTA, in whole or in part, from available amounts, on the related Reset Date and on any Business Day during the Delayed Remarketing Period (as defined herein), at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2008 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 2008 Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2008 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 2008 Bonds, as a whole, but only in accordance with the terms upon which the Series 2008 Bonds are otherwise redeemable.

Redemption Notices. So long as DTC is the securities depository for the Series 2008 Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2008 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 2008 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 2008 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 2008 Bonds, then on the redemption date the Series 2008 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 2008 Bonds called for redemption, thereafter no interest will accrue on those Series 2008 Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2008 Bonds.

Mandatory Tender for Purchase of the Series 2008B Bonds

General. The Series 2008B Bonds (other than any Series 2008B Bonds redeemed on the related Reset Dates) will be subject to mandatory tender for purchase on the related Reset Date at a purchase price equal to 100% of the principal amount thereof, plus accrued interest to such Reset Date, without premium.

Sources of Funds for Purchase of Tendered Series 2008B Bonds. Tendered Series 2008B Bonds will be purchased solely with proceeds from the remarketing of the Series 2008B Bonds. **There is no source of moneys other than remarketing proceeds available to pay the purchase price of Series 2008B Bonds upon mandatory tender thereof on the applicable Reset Date. It is not an event of default under the Transportation Resolution (defined below) if the Series 2008B Bonds are not purchased upon mandatory tender on any Reset Date because remarketing proceeds are insufficient for such purpose. See “– Consequences of a Failed Remarketing” below.**

Notice of Mandatory Tender. The Trustee, at the direction of MTA, will give notice by mail to the registered owners of, and the remarketing agent to be designated by MTA (the Remarketing Agent) for, the Series 2008B Bonds not later than 30 days prior to each Reset Date, which notice will state (1) that such Series 2008B Bonds will be subject to mandatory tender for purchase on such Reset Date; (2) the procedures for such mandatory tender; (3) that the Series 2008B Bonds will be purchased at a price of par; and (4) the consequences of a failed remarketing. Beneficial owners should be aware that, so long as DTC is the securities depository for the Series 2008 Bonds, notice will be given to DTC as registered owner of the Series 2008B Bonds. Beneficial owners may wish to ascertain that the nominee holding the Series 2008 Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners. The Transportation Resolution requires the Trustee to appoint a Remarketing Agent and a Tender Agent no later than 60 days prior to the applicable Reset Date.

Consequences of a Failed Remarketing. In the event that remarketing proceeds are insufficient to pay the purchase price of all Outstanding Series 2008B Bonds of any subseries on the applicable Reset Date, (1) no purchase shall be consummated on such Reset Date and the Tender Agent shall, after any applicable grace period, (a) return all tendered Series 2008B Bonds to the registered owners thereof and (b) return all remarketing proceeds to the Remarketing Agent for return to the Persons providing such moneys; and (2) the Series 2008B Bonds of such subseries will bear interest at the Maximum Rate of 11% per annum during the period of time from and including the applicable Reset Date to (but not including) the date that all such Series 2008B Bonds are successfully remarketed (the Delayed Remarketing Period).

On each Business Day following the failed remarketing on the applicable Reset Date, the Remarketing Agent shall continue to use its best efforts to remarket the applicable subseries of the Series 2008B Bonds into the Mode designated by the Trustee, at the direction of the MTA (or such other Mode as the Trustee, at the direction of MTA shall thereafter designate to the Remarketing Agent and the prospective owners thereof). Once the Remarketing Agent has advised the Trustee that it has a good faith belief that it is able to remarket all of the applicable subseries of the Series 2008B Bonds into the designated Mode, the Trustee, at the direction of MTA, will give notice by mail to the registered owners of such Series 2008B Bonds not later than five Business Days prior to the purchase date, which notice will state (1) that the interest rate on such Series 2008B Bonds will continue to be a

Term Rate or will be adjusted to a Daily Rate, Weekly Rate, Auction Period Rate or Fixed Rate or to the interest rates and Interest Periods applicable in the Commercial Paper Mode on and after the purchase date; (2) that such Series 2008B Bonds will be subject to mandatory tender for purchase on the purchase date; (3) the procedures for such mandatory tender; (4) the purchase price of such Series 2008B Bonds on the purchase date (expressed as a percentage of the principal amount thereof); and (5) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon direction of MTA, apply available amounts to the redemption of the Series 2008B Bonds as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notice of redemption shall be provided at least five Business Days prior to the date fixed for redemption.

During the Delayed Remarketing Period, interest on such Series 2008B Bonds shall be paid to the registered owners thereof (i) on each May 15 and November 15 occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period. Payment of such interest shall be made by the Trustee from the Debt Service Fund pursuant to the Transportation Resolution.

Delivery of Series 2008B Bonds Upon Mandatory Tender. With respect to any Series 2008B Bonds held in book-entry-only form, delivery of the Series 2008B Bonds to the Tender Agent in connection with the mandatory tender for purchase will be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC participant to reflect the transfer of the beneficial ownership interest in such Series 2008B Bond to the account of the Tender Agent, or to the account of a DTC participant acting on behalf of the Tender Agent.

Series 2008B Bonds Deemed Purchased. If moneys sufficient to pay the purchase price of Series 2008B Bonds to be purchased are held by the Tender Agent on the applicable Reset Date, or a subsequent purchase date in the event of a failed remarketing, such Series 2008B Bonds will be deemed to have been purchased for all purposes of the Transportation Resolution, irrespective of whether such Series 2008B Bonds will have been delivered to the Tender Agent, and neither the former owner of such Series 2008B Bonds nor any other person will have any claim thereon, under the Transportation Resolution or otherwise, for any amount other than the purchase price thereof.

In the event of non-delivery of any Series 2008B Bond to be purchased, the Tender Agent will segregate and hold uninvested the moneys for the purchase price of such Series 2008B Bonds in trust, without liability for interest thereon, for the benefit of the former owners of such Series 2008B Bonds, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such Series 2008B Bonds. Any moneys which the Tender Agent will segregate and hold in trust for the payment of the purchase price of any Series 2008B Bond and remaining unclaimed for two (2) years after the date of purchase 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 owner of such Series 2008B 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 2008B Bonds.

Debt Service on the Bonds

Table 1 on the next page sets forth, on a cash basis, the estimated debt service on the outstanding Transportation Revenue Bonds, debt service on the Series 2008 Bonds, and the aggregate estimated debt service on all Transportation Revenue Bonds to be outstanding after the issuance of the Series 2008 Bonds.

Table 1
Aggregate Debt Service
(in thousands)⁽¹⁾

Year Ending November 15	Outstanding Bonds ⁽²⁾	Series 2008 Bonds ⁽³⁾			Aggregate Debt Service ⁽⁴⁾
		Principal	Interest	Total	
2008	\$ 690,018	-	\$36,046	\$ 36,046	\$726,064
2009	563,017	\$ 16,345	49,153	65,498	628,515
2010	711,415	15,425	48,499	63,924	775,340
2011	711,262	-	47,882	47,882	759,144
2012	711,079	17,040	46,947	63,987	775,067
2013	712,385	18,725	44,925	63,650	776,036
2014	712,369	20,470	42,876	63,346	775,715
2015	712,379	22,290	40,758	63,048	775,426
2016	712,344	23,185	39,866	63,051	775,396
2017	711,732	25,125	38,922	64,047	775,779
2018	711,798	26,335	37,675	64,010	775,808
2019	711,893	26,825	36,369	63,194	775,087
2020	711,951	27,900	35,296	63,196	775,146
2021	712,024	29,015	34,180	63,195	775,218
2022	712,084	30,180	33,019	63,199	775,283
2023	720,763	31,390	31,812	63,202	783,964
2024	720,851	32,650	30,556	63,206	784,057
2025	720,973	33,960	29,250	63,210	784,183
2026	721,075	35,320	27,892	63,212	784,287
2027	721,168	36,840	26,479	63,319	784,487
2028	721,312	38,315	25,005	63,320	784,632
2029	721,439	39,230	23,473	62,703	784,142
2030	721,533	41,125	21,904	63,029	784,562
2031	721,671	43,180	20,086	63,266	784,937
2032	671,199	45,340	17,927	63,267	734,466
2033	318,089	47,610	15,660	63,270	381,359
2034	318,228	49,990	13,280	63,270	381,497
2035	289,473	52,580	10,687	63,267	352,740
2036	81,472	55,150	8,121	63,271	144,743
2037	53,778	57,915	5,351	63,266	117,045
2038	-	60,545	2,725	63,270	63,270
Total	<u>\$18,730,774</u>	<u>\$1,000,000</u>	<u>\$922,621</u>	<u>\$1,922,621</u>	<u>\$20,653,395</u>

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes the following variable rates assumptions for debt service: Series 2002D-2, Series 2005D and Series 2005E Bonds at their respective swap rates (4.45%, 3.561% and 3.561%, respectively); and Series 2002B, Series 2002D-1, Series 2002G, Series 2004A and Series 2005G Bonds at an assumed variable interest rate of 4% per annum. Takes into account the effects during 2008 and 2009 of the cash defeasance described under “INTRODUCTION – Recent Developments – *MTA Financial Plan and MTA Fare Increase Adopted* – Cash Management Actions.”

⁽³⁾ Assumes a variable rate of interest of 4.0% for debt service on the Series 2008B Bonds after their respective Reset Dates.

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

PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Part II of this official statement describes the sources of payment and security structure for all Transportation Revenue Bonds, including the Series 2008 Bonds.

SOURCES OF PAYMENT

Pledged Transportation Revenues

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

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

Table 2 sets forth the following for the 5 years ended December 31, 2006:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in Part 3 of **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
- the amount of debt service on the farebox bonds that were refunded by Transportation Revenue Bonds during MTA's debt restructuring in 2002 and the amount of debt service on the Transportation Revenue Bonds beginning in 2002, and
- the amount of transit and commuter operating expenses.

Table 2 is based on the historical audited financial statements of MTA and its subsidiaries, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit and its subsidiary MaBSTOA. The audited financial statements for MTA and MTA New York City Transit for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. This information in **Table 2** may not be indicative of future results of operations and financial condition. **Table 2** does not include MTA Bus information prior to 2006 since MTA Bus signed the Interagency Agreement effective as of April 1, 2006. For the year 2002, **Table 2** is a presentation that gives effect to the combined revenues of the Transit System and Commuter System as if the Transportation Resolution had been in place before the debt restructuring. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

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

	Years Ended December 31,				
	2002	2003	2004	2005	2006
Revenues from Systems Operations					
Fares from Transit System	\$2,156	\$2,420	\$2,567	\$2,668	\$2,778
Fares from Commuter System	689	772	819	881	911
Fares from MTA Bus	N/A	N/A	N/A	N/A	104
Other Income ⁽¹⁾	157	109	245	129	79
Subtotal – Operating Revenues	3,002	3,301	3,631	3,678	3,872
Revenues from MTA Bridges and Tunnels Surplus	251	395	377	477	435
MTA Bridges and Tunnels – Refund of Excess Debt Service Payments	0	164	0	0	0
Revenues from Governmental Sources					
State and Local General Operating Subsidies	423	380	377	415	391
Special Tax-Supported Operating Subsidies					
DTF Excess ⁽²⁾	333	322	411	361	391
MMTOA Receipts	1,107	731	736	946	1,219
Urban Tax	171	177	344	551	669
Excess Mortgage Recording Taxes	0	228	163	193	249
Subtotal Special Tax-Supported Operating Subsidies	1,612	1,458	1,654	2,051	2,528
Station Maintenance and Service Reimbursements	291	307	311	349	376
City Subsidy for MTA Bus	N/A	N/A	N/A	N/A	162
Revenues from Investment of Capital Program Funds⁽³⁾	27	14	26	52	66
Subtotal – Non-Operating Revenues⁽⁴⁾	2,604	2,718	2,745	3,344	3,958
Total Transportation Resolution Pledged Revenues	\$5,606	\$6,019	\$6,376	\$7,022	\$7,830
Debt Service⁽⁵⁾	\$106	\$257	\$389	\$506	\$629
Transit Operating Expenses	\$3,843	\$4,161	\$4,198	\$4,483	\$4,788
Commuter Operating Expenses	1,426	1,512	1,609	1,632	1,731
MTA Bus Operating Expenses	N/A	N/A	N/A	N/A	315
Total Operating Expenses	\$5,269	\$5,673	\$5,807	\$6,115	\$6,834
Total Operating Expenses and Debt Service	\$5,375	\$5,930	\$6,196	\$6,621	\$7,463

The following should be noted in Table 2:

- (1) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous. In December 2004, MTA provided MTA New York City Transit with a \$13 million subsidy from operating funds.
- (2) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTF Receipts described in Part 4 of **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”
- (3) Represents investment income on capital program funds held for the benefit of the Transit and Commuter Systems on an accrual basis.
- (4) Sum of (a) Revenues from MTA Bridges and Tunnels Surplus, (b) MTA Bridges and Tunnels – Refund of Excess Debt Service Payments, (c) Revenues from Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), (d) Station Maintenance and Service Reimbursements, (e) City Subsidy for MTA Bus, and (f) Revenues from Investment of Capital Program Funds.
- (5) Actuals for 2002 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year on the bonds defeased in connection with the debt restructuring before, and debt service on the Transportation Revenue Bonds after, the completion of the debt restructuring.

- Revenues from Systems Operations – In 2003, the level of fares increased on May 4 for the Transit System and May 1 for the Commuter System. In 2005, the level of fares increased on February 27 for the Transit System and March 1 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys.
- MTA Bridges and Tunnels Surplus increased in 2003 based primarily upon the toll increases that became effective on May 18, 2003 and again in 2005 based primarily upon the toll increases that became effective on March 13, 2005. In 2006, the surplus declined primarily due to (1) lower than anticipated traffic due primarily to adverse weather conditions in early 2006 and the impacts of higher gas prices and (2) the discontinuation of (a) MTA’s reimbursement to MTA Bridges and Tunnels of the cost of certain security projects and (b) the \$1 monthly administrative fee that was collected by MTA Bridges and Tunnels until June 1, 2006 when State legislation prohibited its collection.
- MTA Bridges and Tunnels – Refund of Excess Debt Service Payments – for 2003, approximately \$164 million in non-recurring excess debt service payments resulting from the debt restructuring that were on deposit with the MTA Bridges and Tunnels bond trustees were applied for the benefit of the Transit and Commuter Systems.
- The high level of MMTOA Receipts in 2002 reflects the advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$230 million). Beginning in 2003, MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year’s receipts similarly advanced. MTA continues to monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary. The increased amount of MMTOA Receipts in 2005 reflects in major part the imposition of an additional 1/8% regional sales tax commencing June 1, 2005. The increased amount of MMTOA Receipts in 2006 reflects, in part, the full year effect of the additional regional sales tax and higher corporate surcharge receipts.
- The “Urban Tax” collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds from 2004 through 2006 reflect the very high level of real estate sale and refinancing activity during those years.
- Excess Mortgage Recording Taxes – Beginning in 2003, excess mortgage recording taxes were available for Transit and Commuter Systems purposes after the payment of MTA headquarters expenses.
- Revenues from Investment of Capital Program Funds – substantially all of the investment income is generated from bond proceeds, such as funds held in anticipation of expenditure on project costs.

The following **Table 3** sets forth final estimated results for 2007 and budget information for 2008 taken from the November 2008-2011 Financial Plan adopted by the MTA Board on December 19, 2007; however, the information set forth in **Table 3** for 2008 does not include the projected impact of a fare and toll increase commencing in early 2008 or certain other MTA Policy Actions, Gap Closing Measures or Cash Management Actions that have not yet been implemented. See “INTRODUCTION – Recent Developments – *MTA Financial Plan and MTA Fare Increase Adopted.*” The information set forth in **Table 3** is comparable to that set forth in **Table 2** with respect to the years 2002-2006.

Table 3
Summary of Estimated 2007 and Budgeted 2008 Pledged Revenues
(Calculated in Accordance with the Transportation Resolution) and Expenses
on a Cash Basis (in millions)

	Final Estimate 2007 ⁽¹⁾	2008 Budget ⁽¹⁾
Revenues from Systems Operations		
Fares from Transit System	\$2,854	\$2,897
Fares from Commuter System	988	1,005
Fares from MTA Bus	138	141
Other Income ⁽²⁾	248	197
Subtotal – Operating Revenues	4,228	4,240
Revenues from MTA Bridges and Tunnels Surplus	390	325
Revenues from Governmental Sources		
State and Local General Operating Subsidies	396	396
Special Tax-Supported Operating Subsidies		
DTF Excess ⁽³⁾	356	319
MMTOA Receipts	1,576	1,378
Urban Tax	862	669
Excess Mortgage Recording Taxes	149	41
Subtotal Special Tax-Supported Operating Subsidies	2,943	2,407
Station Maintenance and Service Reimbursements	404	412
City Subsidy for MTA Bus	232	252
Revenues from Investment of Capital Program Funds	2	3
Subtotal – Non-Operating Revenues⁽⁴⁾	4,367	3,795
Total Transportation Resolution Pledged Revenues	8,595	8,035
Budgeted Debt Service	838	745
Transit Operating Expenses	5,348	5,709
Commuter Operating Expenses	2,083	2,186
MTA Bus Operating Expenses	385	409
Other Expenses of the Related Entities	212	(226)
Total Operating Expenses	\$8,028	\$8,078
Total Operating Expenses and Debt Service⁽⁵⁾	\$8,866	\$8,823

(1) Based on the November 2008-2011 Financial Plan adopted by the MTA Board on December 19, 2007, except that the information set forth in Table 3 for 2008 does not include the projected impact of a fare and toll increase commencing in early 2008 or certain other MTA Policy Actions, Gap Closing Measures or Cash Management Actions that have not yet been implemented. See “INTRODUCTION – Recent Developments – *MTA Financial Plan and MTA Fare Increase Adopted.*”

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

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

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

(5) Total Operating Expenses and Debt Service are higher than Total Transportation Resolution Pledged Revenues; however, additional non-pledged revenues, including mortgage recording taxes, concession revenues at Pennsylvania Station and Grand Central Terminal, and the drawdown of cash balances, together with certain MTA policy, GAP closing and/or cash management actions are expected to result in balanced budgets for 2007 and 2008.

The following should be noted in Table 3:

- Revenues from Governmental Sources – Urban Tax – 2008 reflects the expectation of a lower activity level of certain residential and commercial real estate transactions in the City.
- Revenues from Governmental Sources – Excess Mortgage Recording Taxes – reflects the expectation of a lower activity level of real estate activity throughout the MTA Commuter Transportation District.
- Budgeted Debt Service – In 2007, includes approximately \$156.9 million of pledged revenues used to fund the cash defeasance of certain Transportation Revenue Bonds maturing in 2009. In 2008, includes the benefit of reduced debt service in the amount of approximately \$19.6 million due to the cash defeasance.
- Other Expenses of the Related Entities – In 2007, includes a pension prepayment of \$200 million, thereby reducing pension expenses in 2008 by a similar amount.

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Description of Pledged Revenues

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

Revenues from Systems Operations.

- **Fares from the Transit and Commuter Systems** – For *transit*, while the basic local fare (excluding express bus service) was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average local fare (excluding express bus service) to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average was \$1.29 in 2006); and for *commuter*, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including 30-day MetroCards), and for senior citizens and the handicapped. See "INTRODUCTION – Recent Developments – 2008 Fare and Toll Adjustments" for a discussion of changes to fares to be effective in March 2008.
- **Other Income** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MTA Metro-North Railroad) and Pennsylvania Station (the main station for MTA Long Island Rail Road), however, are not included within these amounts pledged.

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

Revenues from Governmental Sources.

- General operating subsidies from the State and local governments – Under the State’s Section 18-b program, MTA receives –
 - o subsidies for transit from the State and matching subsidies from New York City, and
 - o subsidies for commuter from the State and matching subsidies from New York City and the seven counties in the MTA district.
- **Special tax-supported operating subsidies** – MTA receives subsidies from a number of sources including –
 - o portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
 - a group of business privilege taxes imposed on petroleum businesses operating in the State, referred to as the PBT,
 - motor fuel taxes on gasoline and diesel fuel, and
 - certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees; and
 - o portions of the following mass transportation operating assistance or MMTOA taxes, which state law requires first be used to pay debt service on MTA’s Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—

- the regional PBT (in addition to the state-wide portion described above), which is referred to as the MMTOA PBT,
 - the sales and compensating use tax within the MTA transportation district,
 - two franchise taxes imposed on certain transportation and transmission companies, and
 - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
- o a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.
- ***Station maintenance and service reimbursements*** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support MTA New York City Transit’s paratransit, senior-citizen and school children programs. Also, MTA Metro-North Railroad receives certain payments from the Connecticut Department of Transportation (CDOT) for its share of the operating deficits of the New Haven rail line.
 - ***City Agreement with MTA Bus*** – In December 2004, the MTA Board approved a letter agreement with the City (the MTA Bus Letter Agreement) with respect to MTA Bus’ establishment and operation of certain bus routes (the MTA Bus System) in areas then served by seven private bus companies pursuant to franchises granted by the City. The City’s payments under the MTA Bus Letter Agreement are pledged to holders of the Transportation Revenue Bonds and are reflected in **Table 2** above since 2006 when MTA Bus became a party to the Interagency Agreement. The MTA Bus Letter Agreement with the City provides for the following:
 - o A lease by the City to MTA Bus of the bus assets to operate the MTA Bus System.
 - o The City agrees to pay MTA Bus the difference between the actual cost of operation of the MTA Bus System (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the MTA Bus System.
 - o If the City fails to timely pay any of the subsidy amounts due for a period of 30 days, MTA Bus has the right, after an additional 10 days, to curtail, suspend or eliminate service and may elect to terminate the agreement. The City can terminate the agreement on one year’s notice.

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

Factors Affecting Revenues

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

Fare Policy. MTA determines the rate or rates of fares charged to users of the Commuter System and MTA Bus System, and MTA New York City Transit and MaBSTOA, together with MTA, do the same for the Transit System. After adopting operating expense budgets and assessing the availability of governmental subsidies, each makes a determination of fares necessary to operate on a self-sustaining cash basis in compliance with State law and

covenants in the Transportation Resolution. Considering the impact of increased fares on riders and on the regional economy, MTA's policy is to attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares. As a result, even though MTA does not generally need other governmental approvals before setting fares, the amount and timing of fare increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. MTA's obligation to obtain approval of fare increases on the New Haven line from CDOT can also affect the amount and timing of fare increases.

Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses. The Transit, Commuter and MTA Bus Systems have depended, and are expected to continue to depend, upon government subsidies to meet capital and operating needs. Thus, even though MTA is legally obligated by the rate covenant to raise fares sufficiently to cover all capital and operating costs, there can be no assurance that there is any level at which Transit, Commuter and MTA Bus Systems fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budgets prepared in connection with 2008 and the forecasts prepared in connection with 2009, 2010 and 2011) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

Operating Results and Projections. Based upon the November 2008-2011 Financial Plan, the budgets of the Related Entities are expected to be substantially in balance through 2008, but there are expected to be substantial gaps thereafter. Any of the Transit System, the Commuter System or MTA Bus or all of them may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include raising fares.

2008-2011 Financial Plan. The November 2008-2011 Financial Plan, the 2005-2009 MTA Capital Program and future MTA Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the November 2008-2011 Financial Plan, the 2005-2009 MTA Capital Program and future MTA Capital Programs, as well as on pledged revenues. See Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS."

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

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

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

- Successful court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA could adversely affect the amount of pledged revenues generated by such State taxes.

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

SECURITY

General

The Transportation Revenue Bonds, including the Series 2008 Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution.

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

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Where to Find Information."

Pledge Effected by the Resolution

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

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

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

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

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

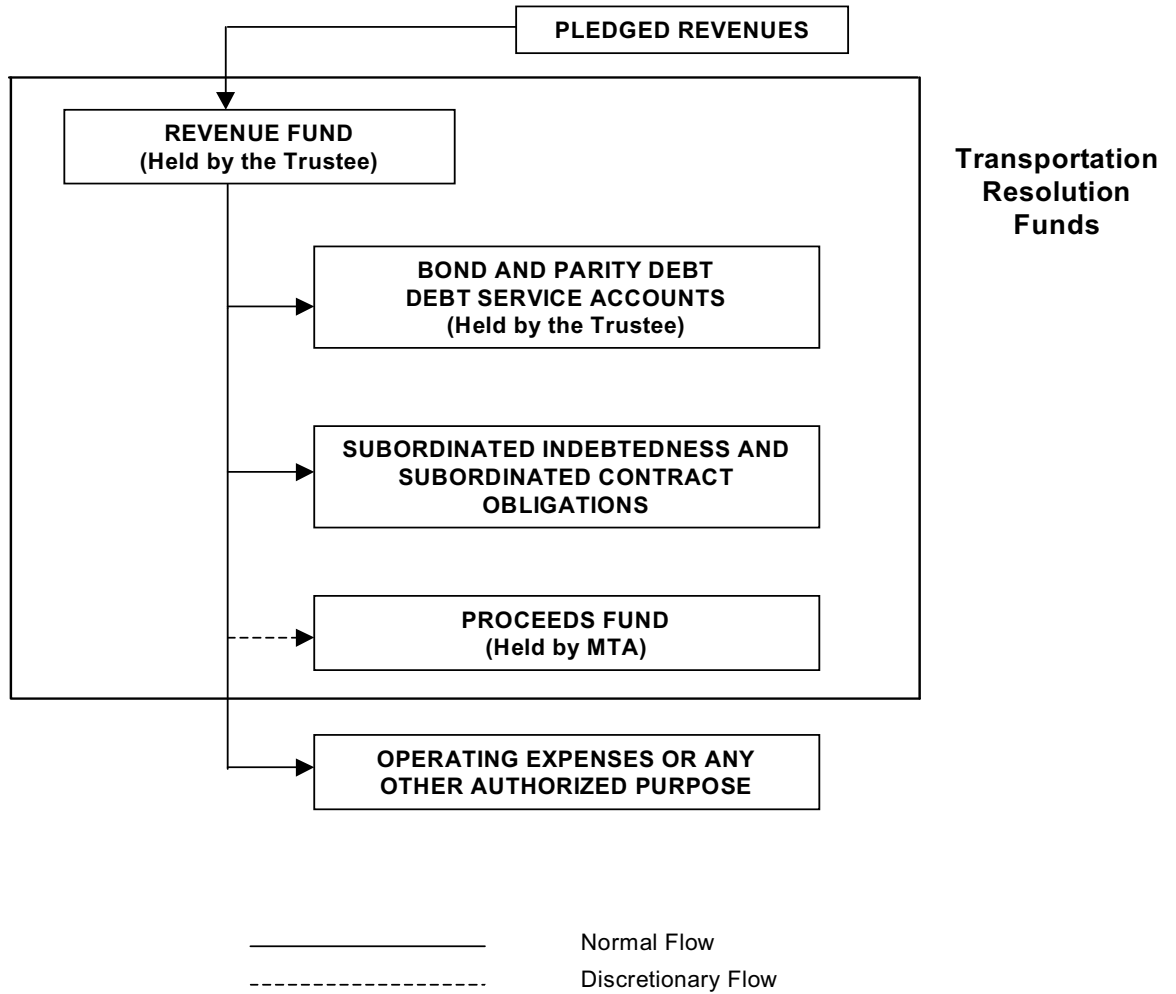
- to the debt service accounts, the net amount, if any, required to make the amount in the debt service accounts equal to the accrued debt service for Transportation Revenue Bonds and Parity Debt to the last day of the current calendar month;
- to pay, or accrue to pay, principal of and interest on any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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

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

Operating and Maintenance Covenants.

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

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

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

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

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

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

PART III. OTHER INFORMATION ABOUT THE SERIES 2008 BONDS

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

TAX MATTERS

General

Nixon Peabody LLP is Bond Counsel for the Series 2008 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 2008 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 2008 Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2008 Bonds are delivered.

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

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

Bond Counsel is not responsible for updating its opinion in the future. Although not possible to predict, it is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2008 Bonds or affect the market price of the Series 2008 Bonds. For example, the Internal Revenue Code could be changed. See also "Miscellaneous" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2008 Bonds or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2008 Bonds will have “original issue discount” if the price first paid by the bondholders for a substantial amount of the Series 2008 Bonds is less than the principal amount of these Series 2008 Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2008 Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2008 Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2008 Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondholder owns one of these Series 2008 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2008 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2008 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Series 2008 Bond will be reduced. The holder of a Series 2008 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2008 Bond with bond premium, even though the Series 2008 Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2008 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on the Series 2008 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 2008 Bonds under federal or state law and could affect the market price or marketability of the Series 2008 Bonds.

On November 5, 2007, the U.S. Supreme Court heard oral argument on *Davis v. Kentucky Dep’t Of Revenue of The Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), a case that has questioned the permissibility under the U.S. Constitution of the Commonwealth of Kentucky providing for a state income tax exemption for interest on obligations issued by Kentucky or its subdivisions while taxing interest on obligations of other states or their subdivisions. 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 2008 Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court affirms 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 2008 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 2008 Bonds.

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

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2008 Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

- all public officers and bodies of the State and all municipalities and political subdivisions in the State,
- all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business,
- all administrators, guardians, executors, trustees and other fiduciaries, and
- all other persons whatsoever who are now or who may hereafter be authorized to invest in the obligations of the State.

Certain of those investors, however, may be subject to separate restrictions that limit or prevent their investment in the Series 2008 Bonds.

LITIGATION

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the MTA New York City Transit, MaBSTOA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in Part 5 of **Appendix A** under the caption "LITIGATION," as that filing may be amended or supplemented to date.

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2008 Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2008 Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor's fees for serving as financial advisor are contingent upon the issuance of the Series 2008 Bonds.

UNDERWRITING

The Underwriters for the Series 2008 Bonds, acting through J.P. Morgan Securities Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2008 Bonds described on the inside cover of this official statement at an aggregate purchase price of \$1,037,962,319.99, reflecting a net original issue premium of \$42,954,551.20 and an Underwriters' discount of \$4,992,231.21, and to reoffer such Series 2008 Bonds at the public offering prices or yields set forth on the inside cover.

The Series 2008 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2008 Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations to purchase the Series 2008 Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2008 Bonds if any Series 2008 Bonds are purchased.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies to be assigned to the Series 2008 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 One State Street Plaza New York, New York 10004 (212) 908-0500	Moody's Investors Service, Inc. 7 World Trade Center New York, New York 10007 (212) 553-0300	Standard & Poor's Ratings Services 55 Water Street New York, New York 10041 (212) 438-2000
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MTA has furnished to each rating agency rating the bonds being offered information, including information not included in this official statement, about MTA and the bonds. Generally, rating agencies base their ratings on that information and on independent investigations, studies and assumptions made by each rating agency. There can be no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances warrant the revision or withdrawal. Those circumstances may include, among other things, changes in or unavailability of information relating to MTA or the bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the bonds.

LEGAL MATTERS

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

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

CONTINUING DISCLOSURE

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

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2008 Bonds. The Series 2008 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 2008 Bond will be issued for each maturity of the Series 2008 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 2008 Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

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

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

4. To facilitate subsequent transfers, all Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008 Bond documents. For example, Beneficial Owners of the Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 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 2008 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 2008 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 2008 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 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2008 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 2008 Bonds are required to be printed and delivered.

10. MTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2008 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 2008 Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the Related Transportation Entities (currently, MTA and its subsidiaries MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit and its subsidiary MaBSTOA) by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 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.

Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2008 Bonds to provide or cause to be provided, either directly or through the Trustee, audited consolidated financial statements of MTA New York City Transit and the audited 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 either MTA New York City Transit or MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of MTA New York City Transit or MTA for such fiscal year. MTA New York City Transit's and MTA's annual financial statements will be filed by or on behalf of such parties by MTA with each NRMSIR and the State Depository. In the event that such audited financial statements of MTA New York City Transit cease to be separately published, the obligation of MTA hereunder to provide such financial statements shall cease.

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

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

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

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific cross-reference to any other documents which have been filed with (a) 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 2008 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 2008 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 any of the Related Transportation Entities.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2008 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 2008 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 2008 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 2008 Bonds at the time Outstanding which are affected thereby. Each of the 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 Transportation Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the Transportation Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data, and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2008 Bonds have been paid in full or legally defeased pursuant to the Transportation Resolution or the date the undertaking is no longer required by law. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

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

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2008 Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (“MTA”) and other proofs submitted to us relative to the issuance of \$512,470,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2008A Bonds and \$487,530,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2008B Bonds (collectively, the “Series 2008 Bonds”).

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

The Series 2008 Bonds are issued under and pursuant to the Constitution and statutes of the State (the “State”), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the “Issuer Act”), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled “General Resolution Authorizing Transportation Revenue Obligations,” as supplemented by a resolution of said members adopted on January 30, 2008 (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 2008 Bonds in order that interest on the Series 2008 Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of MTA, dated the date hereof (the “Tax Certificate”), in which MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2008 Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2008 Bonds and the investment of certain funds. The Tax Certificate obligates MTA to take certain actions necessary to cause interest on the Series 2008 Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2008 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2008 Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2008 Bonds and compliance by MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have also examined one of said Series 2008 Bonds as executed and, in our opinion, the form of said Series 2008 Bond and its execution are regular and proper.

We are of the opinion that:

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

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

3. The Series 2008 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 2008 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 2008 Bonds.

4. MTA, the holders of the Series 2008 Bonds, or the holders of any evidence of indebtedness of MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2008 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 2008 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2008 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 2008 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 2008 Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2008 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 2008 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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