

**OFFERING MEMORANDUM**

Ratings: *Moody's: P-1*  
*S&P: A-1+*  
*Fitch: F1+*

*For a discussion of the tax-status of the Notes, see "TAX MATTERS" herein.*



**\$750,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Transportation Revenue Bond Anticipation Notes,**  
**Series CP-1 Credit Enhanced**

**\$250,000,000 Subseries A**

**\$250,000,000 Subseries B**

**\$250,000,000 Subseries C**

The Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes") offered hereby are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the "Resolution"), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of the Notes.

The Notes are being issued to finance transit and commuter projects.

In connection with the Notes, MTA has entered into a Letter of Credit and Reimbursement Agreement with ABN AMRO Bank N.V. (the "Bank"), pursuant to which the Bank will issue in favor of the Issuing and Paying Agent an irrevocable direct pay Letter of Credit expiring on December 8, 2010 in order to pay principal and interest (calculated at the rate of 10% per annum for a period of 90 days and based on a year of 360 days) due on the Notes as provided therein.

To the extent not paid from the proceeds of draws under the Letter of Credit, the principal of and interest on the Notes are payable solely from the proceeds of (1) other Notes, (2) the Series CP-1 Bonds, and (3) though not pledged therefor, notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of bonds or parity obligations issued under the Resolution. See "SECURITY FOR THE NOTES".

**The Notes are not a debt of the State of New York, The City of New York or any other local government unit, and the State, the City and other local government units are not liable thereon. MTA has no taxing power.**

The Notes will be executed and delivered only as fully registered notes without coupons, in the principal amount of \$100,000 and additional increments of \$1,000 above \$100,000. The Notes will be initially executed and delivered under a book-entry-only system and will be registered in the name of Cede & Co., as Noteholder and Securities Depository Nominee of The Depository Trust Company, New York, New York. Principal and interest on the Notes will be payable through The Bank of New York, as successor in interest to JPMorgan Chase Bank, N.A., acting as Issuing and Paying Agent.

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 Notes. Investors are advised to read the entire Offering Memorandum, including any portion hereof included by specific reference, to obtain information essential to the making of an informed decision.

**BEAR, STEARNS & CO. INC.**  
*(Dealer for Subseries A)*

**MORGAN STANLEY**  
*(Dealer for Subseries B)*

**LEHMAN BROTHERS**  
*(Dealer for Subseries C)*

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

Peter S. Kalikow.....	Chairman
David S. Mack.....	Vice-Chairman
Andrew M. Saul.....	Vice-Chairman
Andrew B. Albert.....	Non-Voting Member
John H. Banks III.....	Member
James F. Blair.....	Non-Voting Member
Nancy Shevell Blakeman.....	Member
Norman E. Brown.....	Non-Voting Member
Donald Cecil.....	Member
Barry L. Feinstein.....	Member
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.....	Non-Voting Member
James L. Sedore, Jr.....	Member
Ed Watt.....	Non-Voting Member
Carl V. Wortendyke.....	Member

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Elliot G. Sander.....	Executive Director and Chief Executive Officer
Susan Kupferman.....	Acting Chief Operating Officer
Gary M. Lanigan.....	Director, Budgets and Financial Management
James B. Henly, Esq.....	Deputy Executive Director and General Counsel

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

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New York, New York  
*Financial Advisor*

- **No Unauthorized Offer.** This offering memorandum is not an offer to sell, or the solicitation of an offer to buy, the Notes, 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 Notes, except as set forth in this offering memorandum. No other information or representations should be relied upon.
- **No Contract or Investment Advice.** This offering memorandum is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this offering memorandum and the Notes being offered, or anything else related to this note 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 offering memorandum 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 offering memorandum, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this offering memorandum.
- **Projections.** The projections set forth in this offering memorandum 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 offering memorandum are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this offering memorandum, 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 Dealers.** The Dealers have provided the following sentence for inclusion in this offering memorandum: The Dealers have reviewed the information in this offering memorandum 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 Dealers do not guarantee the accuracy or completeness of such information.
- **Bank Information.** Other than with respect to information concerning the Bank contained in Attachment 1 of this offering memorandum, none of the information in this offering memorandum has been supplied or verified by the Bank and the Bank does not make any representation or warranty, express or implied, as to
  - the accuracy or completeness of information it has neither supplied nor verified,
  - the validity of the Notes, or
  - the tax-exempt status of the interest on the Notes.
- **SEC Rule 15c2-12.** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Notes to provide continuing disclosure. MTA regularly files continuing disclosure in connection with other debt offerings.

**TABLE OF CONTENTS**

INTRODUCTION ..... 1  
    MTA And Other Related Entities ..... 1  
    Where to Find Information ..... 2  
    Recent Developments ..... 3  
    General ..... 9  
THE NOTES ..... 9  
    Purpose of the Notes ..... 9  
    Description of the Notes ..... 9  
SECURITY FOR THE NOTES ..... 10  
    General ..... 10  
    Letter of Credit and Security for the Bank ..... 10  
LITIGATION ..... 11  
TAX MATTERS ..... 11  
    General ..... 11  
    Backup Withholding ..... 12  
LEGALITY FOR INVESTMENT ..... 12  
APPROVAL OF LEGAL PROCEEDINGS ..... 13  
RATINGS ..... 13  
ADDITIONAL INFORMATION ..... 13

- Attachment 1**– ABN AMRO Bank N.V.
- Attachment 2**– Book-Entry-Only System
- Attachment 3**– Form of Opinion of Bond Counsel

***Information Included by Specific Cross-Reference.*** The following portions of MTA’s 2006 Combined Continuing Disclosure Filings, dated April 27, 2006, and filed with the repositories identified in the “INTRODUCTION” to this offering memorandum, are included by specific cross-reference in this offering memorandum, along with material that updates this offering memorandum 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 each delivery date of Notes, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2005 and 2004
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2005 and 2004.

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

- Summary of Certain Provisions of the Transportation Resolution<sup>(1)</sup>
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- Form of the Interagency Agreement

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<sup>(1)</sup> Copies of the summaries can be found on the MTA website at [www.mta.info/mta/investor/index.html](http://www.mta.info/mta/investor/index.html). Definitions of certain terms used in the summaries may differ from terms used in this offering memorandum, such as the use of the popular names of the MTA affiliates and subsidiaries.

**OFFERING MEMORANDUM**

**\$750,000,000**

**METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION REVENUE BOND ANTICIPATION NOTES,  
SERIES CP-1 CREDIT ENHANCED**

**\$250,000,000 Subseries A**

**\$250,000,000 Subseries B**

**\$250,000,000 Subseries C**

**INTRODUCTION**

**MTA and Other Related Entities**

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

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

Triborough Bridge and Tunnel Authority (“MTA Bridges and Tunnels”), another affiliate of MTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. MTA Bridges and Tunnels issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. MTA Bridges and Tunnels’ surplus amounts are used to fund certain transit and commuter operations and capital projects.

The following table sets forth the legal and popular names of the Related Entities. Throughout this offering memorandum, 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

The board members of MTA serve as the board members of the MTA’s affiliates and subsidiaries.

MTA and the other Related Entities are described in detail in **Appendix A** to MTA's 2006 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this offering memorandum.

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

### **Where to Find Information**

**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

***FT Interactive Data***

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

***DPC Data Inc.***

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

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

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

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this offering memorandum. In addition, MTA may file information with the repositories after the date of this offering memorandum that is intended to update information contained herein. 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 offering memorandum. **This offering memorandum, 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 Notes.**

**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

**Revised 2006 Financial Information.** MTA currently estimates that its preliminary closing cash balance at the end of calendar year 2006 was \$911 million, which is \$27 million less than forecast in the middle of December 2006. The preliminary closing cash balance was adversely affected by, among other things, (1) a delay in the receipt of State tax and aid payments totaling \$54 million and (2) inter-agency loans in the amount of \$37 million that are expected to be settled after the receipt of State payments in 2007. However, a preliminary review indicates that (1) real estate tax revenues were \$32 million more than expected, primarily due to approximately \$18 million in additional unanticipated mortgage recording tax revenues associated with the sale of Stuyvesant Town/Peter Cooper Village, (2) MTA Bridges and Tunnels cash operating surplus transfers were \$19 million more than forecast, due to mild weather and lower than anticipated expenses and debt service, and (3) total debt service was \$9 million less than the December estimate, thereby offsetting the \$91 million in shortfalls referenced in the preceding sentence. The final cash balance is subject to audit.

**MTA 2007-2010 Financial Plan Information Updated.** On December 13, 2006, the MTA Board, on behalf of the Related Entities, adopted a 2007 budget (the “2007 Budget”). In addition, MTA, on behalf of the Related Entities, presented an updated financial plan for the years 2007-2010 (the “2007-2010 Financial Plan”) that includes the 2007 Budget and a financial plan for the years 2008–2010. Copies of the 2007 Budget and the 2007-2010 Financial Plan are posted on MTA’s website ([www.mta.info](http://www.mta.info)) under “Financial Plan/Capital Program.”

During 2006, real estate revenue allocated to the MTA from the mortgage recording taxes in the MTA Commuter Transportation District and the urban taxes on commercial real estate transactions in the City exceeded projections. In the 2007-2010 Financial Plan, MTA is projecting that real estate transaction taxes will total \$1.078 billion in 2007, \$1.122 billion in 2008, \$1.145 billion in 2009, and \$1.179 billion in 2010. Such projections are based upon 2006’s increase in real estate transaction taxes (almost \$70 million more than in 2005) and an assumption that future declines will be less steep than previously forecast in previous financial plans, notably in tax revenue derived from commercial transactions.

Due to the re-estimation of the real estate transaction taxes of approximately \$1.073 billion between 2006 and 2010, the 2007-2010 Financial Plan does not include (1) the previously proposed 5% fare and toll yield increases scheduled for September 2007 and January 2009 (resulting in approximately \$1.3 billion less projected fare and toll revenue) and (2) certain subway and bus off-peak service adjustments (resulting in approximately \$175 million additional expense) that were included in previous financial plans.

Some other general adjustments made in the 2007-2010 Financial Plan are as follows:

- Though fuel prices have recently dropped, traction and propulsion power providers have indicated that rate increases over the next several years will be higher than previously expected, resulting in additional costs ranging from \$7 million in 2007 to \$57 million in 2010.
- Preliminary indications are that pension costs will increase by approximately \$40 million annually as a result of changing demographics and projected overtime usage.
- Recent rate projections by major health care providers are lower than was previously forecasted, resulting in savings ranging from \$28 million in 2007 to \$49 million in 2010.

In addition, the MTA Board approved the following:

- \$142 million of the \$378 million of the increased real estate transaction tax revenue for 2006 and 2007 be used to (1) offset the \$78 million of lost revenue expected in 2007 from the previously proposed September 2007 fare/toll increase, (2) offset the \$22 million savings in

2007 that would have been generated by service adjustments in off-peak bus and subway service, and (3) cover the net increases in 2006 and 2007 in baseline agency budgets, including increased energy, actuarial pensions and other net changes.

- With regard to the remaining \$236 million in real estate transaction tax revenues for 2006 and 2007, the 2007-2010 Financial Plan proposes the following uses:
  - \$25 million be set aside between 2007 and 2010 to offset the costs associated with providing enhanced security training to designated operating personnel.
  - \$50 million be set aside for emerging capital program security contingencies, including an upgrade of MTA Police radios.
  - \$81 million be set aside to cover the costs associated with implementing anticipated workforce efficiencies, including reductions in personnel, sharing of services among the agencies and other statutory reorganization measures.
  - As described more fully below under “New GASB Regulations Relating to OPEBs,” an earlier financial plan (the “July Financial Plan”) assumed that \$535 million would be set aside in GASB contributions by the end of 2010. Using the same methodology as described in the July Financial Plan to calculate GASB costs, the 2007-2010 Financial Plan assumes a GASB contribution of \$497 million. An additional \$80 million in GASB contributions will be set aside, bringing the total GASB contribution to \$577 million for the 2007-2010 Financial Plan period. Although an assessment by MTA’s independent actuaries has not yet been completed to determine the full extent of MTA’s liabilities for OPEBs, these amounts are likely well short of the probable unfunded liability.
- A 10-year program to paint all of the subway stations – 118 stations to be funded from current and future MTA Capital Programs and the remaining 350 stations to be funded from the operating budget (approximately \$9 million annually). All or a portion of the real estate transaction tax revenues received by MTA from the sale of Stuyvesant Town/Peter Cooper Village in lower Manhattan would be used to paint approximately 200 of the 350 stations that are to be funded through the operating budget.

In the 2007 Budget and the 2007-2010 Financial Plan, MTA projects the following, after taking into consideration the application of MTA Bridges and Tunnels’ operating surplus to mass transit:

- After policy and gap closing actions, the 2007 Budget projects a net cash balance of \$272 million.
- After policy and gap closing actions, the 2007-2010 Financial Plan projects net cash deficits of \$805 million, \$1.465 billion and \$1.793 billion in the years 2008 through 2010, respectively. This represents a net improvement in 2008 of \$100 million from the deficit projected in the July Financial Plan, but also an increase in the deficit of \$329 million in 2009 and \$305 million in 2010, largely due to not including the revenue that would have been realized from the proposed 2007 and 2009 fare/toll increases.

Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions and additional health and welfare benefit costs.

MTA is required to balance its budget on a cash basis and, therefore, a plan which could include future cost reductions, fare and toll adjustments and additional subsidies will be necessary to address deficits beginning in 2008. The 2007-2010 Financial Plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

***MTA Metro-North Railroad Labor Issues.*** Eight unions, representing approximately 70% of the MTA Metro-North Railroad unionized labor force, have not yet negotiated a successor agreement to the labor contract that expired at the end of 2002. The unions were released from mediation by the National Mediation Board on November 7, 2006. A Presidential Emergency Board was appointed on December 7, 2006 to help resolve the labor dispute, and a statutory cooling-off period (which expires mid-summer 2007) is in place precluding any work stoppage. MTA continues to negotiate with the unions in an effort to reach an agreement.

***New GASB Regulations Relating to OPEBs.*** In accordance with new GASB regulations, MTA will be required to disclose the value of other than pension post-employment benefits (OPEBs) beginning in fiscal year 2007. See **Appendix A** – “EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS—OPEBs.” MTA currently meets these obligations on a pay-as-you-go basis and, while there is no obligation to change that practice, the 2007-2010 Financial Plan includes a provision for moneys to be set aside of \$249 million from the 2006 surplus, \$90 million in 2007, \$71 million in 2008, \$79 million in 2009 and \$87 million in 2010. Although an assessment by MTA’s independent actuaries has not yet been completed to determine the full extent of MTA’s liabilities for OPEBs, these amounts are likely well short of the probable unfunded liability. It is expected that the contributions would reflect savings in NYCERS pension costs (i.e., pension contributions made to the New York City Employees Retirement System on behalf of employees whose pensions are paid by that system) that were made possible by recent legislation and a subsequent revaluation. In addition, the 2007-2010 Financial Plan also assumes that the contributions will include cash savings from health and welfare costs generated by anticipated labor settlements. The 2007-2010 Financial Plan assumes that the contributions will be deposited into a special GASB account(s) to help fund OPEBs. There is no legal requirement that the Related Entities continue to make such contributions into the future.

***MTA Capital Programs Amended.*** It was recently reported that the Capital Programs are experiencing construction price increases due to, among other things, rising prices for materials and a large number of new projects that may be affecting bidding. On December 13, 2006, the MTA Board amended the 2000-2004 Capital Programs and the 2005-2009 Capital Programs for the purposes of updating capital project budgets and recognizing changes in funding sources. The amendments referenced below reflect MTA’s projections of capital project costs to the date of the amendments. MTA will submit amendments to the Capital Programs from time to time to balance capital costs with funding sources.

The amendments to the 2000-2004 MTA Capital Program and the 2005-2009 MTA Capital Program, insofar as they relate to the Transit and Commuter Systems, will not become effective until they are submitted to, and approved by, the Review Board. MTA has not yet submitted the amendments to the Review Board for approval, but expects to do so in March 2007. The amendments relating to the MTA Bridges and Tunnels’ capital programs were effective upon adoption by the Board.

#### 2000-2004 Capital Programs.

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$253 million, from \$20.89 billion to \$21.15 billion, with the Transit and Commuter programs increasing by \$285 million and the MTA Bridges and Tunnels program decreasing by \$32 million (which was transferred to the 2005-2009 MTA Bridges and Tunnels capital program to fund cost increases).

- The operating agency programs increased by \$133 million, which includes transfers from the 2005-2009 Capital Program to fund cost increases for work still underway and the addition of new projects for MTA Metro-North Railroad's Yankee Stadium station and MTA Long Island Rail Road's Shea Stadium station. The two stadium projects are funded by the transfer of allocations from the discontinued LaGuardia Airport Access project.
- The Phase I Security Program was allocated an additional \$129 million in MTA operating and Federal sources (bringing the total to \$721 million) to fund the completion of the Phase I initiatives.
- The South Ferry Terminal project was allocated an additional \$34 million in MTA operating sources to fund additional costs needed for the final contract award.
- MTA Bus received an additional \$35 million of City funding representing its match for Federal funds transferred by the City as part of the City-MTA agreement relating to the takeover of the private bus companies by MTA Bus.

2005-2009 Capital Programs.

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$45 million, from \$21.29 billion to \$21.33 billion. The changes in the plan included a \$99 million decrease in the core Transit and Commuter programs and the interagency program, a \$34 million increase in the MTA Bridges and Tunnels program (\$32 million of which was transferred from the 2000-2004 MTA Bridges and Tunnels capital program), and a \$110 million increase in City funding for the No. 7 Subway Line extension to reflect the final approved memorandum of understanding between the City and MTA (referred to below under "Development on West Side of Manhattan and No. 7 Subway Extension" as the No. 7 Line MOU).
- The operating agency programs decreased by \$95 million to transfer funds to ongoing elements in the 2000-2004 MTA Capital Program that have experienced cost increases.
- An amendment to the Phase II Security Program reflects the substitution of \$141 million in MTA Bridges and Tunnels bonds and cash to fund critical security needs of the bridges and tunnels to displace a like amount of originally anticipated Federal funding for these projects that has not materialized.

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

The eastern portion of the rail yards between 10<sup>th</sup> and 11<sup>th</sup> Avenues was rezoned by the City in 2005. The Rail Yards MOU provides that one of the City-controlled corporations, Hudson Yards Infrastructure Corporation ("HYIC"), will purchase 50% of the transferable development rights ("TDRs") on the eastern portion created by the rezoning from MTA for \$200 million. The other City-controlled corporation, Hudson Yards Development Corporation ("HYDC"), has the authority to market and negotiate the price and payment terms for all of the eastern portion TDRs, subject to the terms and conditions set

forth in the Rail Yards MOU. Pursuant to the Rail Yards MOU, once the City has realized from the TDRs sales its original \$200 million plus interest, all remaining proceeds from the sale of the TDRs will be paid to MTA. MTA retains all on-site development rights on the eastern portion. MTA has received the first \$100 million and the remainder is payable to the MTA in three equal annual installments beginning in December 2007.

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

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

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

***Property Insurance Renewal Effective October 31, 2006.***

- First Mutual Transportation Assurance Company ("FMTAC"), MTA's captive insurance company, directly insures property damage claims of the Related Entities in excess of a \$25 million per occurrence self-insurance 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), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London, European and Bermuda marketplaces for this coverage.
- Severe weather in 2005 had a major impact on pricing and capacity for property insurance. Although the market is beginning to stabilize given the absence of major catastrophes in 2006, available capacity at reasonable pricing levels remains limited. As a result, FMTAC was able to obtain additional reinsurance capacity over the last year (reducing the amount retained from \$394.5 million for the year beginning October 31, 2005 to \$267.9 million for the year beginning October 31, 2006), but continues to retain portions within the upper tiers of the program limit. The following chart shows the portions of the tiers of the program limit that

have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared among FMTAC and the respective reinsurers on a pro rata basis.

Incremental Insurance Loss (in millions)	Amount Reinsured (in millions)	Amount Retained by FMTAC (in millions)
\$ 0 – 25	\$ 0.0	\$ 25.0
25 – 125	100.0	0.0
125 – 175	50.0	0.0
175 – 400	225.0	0.0
400 – 700	300.0	0.0
700 – 1,000	57.1	242.9
<u>1,000 – 1,250</u>	<u>250.0</u>	<u>0.0</u>
Total	\$982.1	\$267.9

- The property insurance, which is subject to annual renewal on October 31, 2007, provides replacement cost coverage for virtually 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 committed by or on behalf of foreign interests, as covered by the Terrorism Risk Insurance Act of 2002, and amended by the Terrorism Risk Insurance Extension Act of 2005 (“TRIA”), FMTAC is reinsured by the United States government for 85% of such “certified” losses, subject to an annual cap on all losses payable under TRIA of \$100 billion. No federal compensation will be paid unless the aggregate industry insured losses exceed \$100 million (“trigger”). The remaining 15% of MTA losses would be covered under an additional policy described in the next paragraph. TRIA coverage is effective through December 31, 2007. Negotiations are under way in Congress to extend the current arrangement or implement a more permanent solution.
- With respect to terrorism losses not reinsured by the United States government under TRIA, FMTAC obtained an additional commercial reinsurance policy with Lexington Insurance Co. (part of AIG), which provides coverage for (1) 15% of any “certified” act of terrorism caused by foreign interests, up to a maximum recovery of \$150 million for any one occurrence, or (2) 100% of any terrorism loss not “certified” by the United States government (including losses within the established event “trigger”), up to a maximum recovery of \$100 million for any one occurrence. 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 come to total \$75 million, then future losses in that policy year are subject to a retention of \$7.5 million per occurrence.

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

## **General**

Bear, Stearns & Co. Inc. has been initially appointed to serve as the dealer for the \$250,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries A (the "Subseries A Notes"), Morgan Stanley & Co. Incorporated has been initially appointed to serve as the dealer for the \$250,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries B (the "Subseries B Notes"), and Lehman Brothers Inc. (Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. being collectively referred to herein as the "Dealers") has been initially appointed to serve as the dealer for the \$250,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries C (the "Subseries C Notes", the Subseries A Notes, the Subseries B Notes and the Subseries C Notes being collectively referred to herein as the "Notes"). The Notes are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the "Resolution"), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution (the "Commercial Paper Resolution") adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of the Notes.

The Notes are being issued in anticipation of the issuance of bonds (the "Series CP-1 Bonds") pursuant to the Series CP-1 Transportation Revenue Bond Supplemental Resolution (the "Series CP-1 Bonds Supplemental Resolution") adopted by MTA on May 30, 2002 as a supplemental resolution in accordance with the Resolution. The Series CP-1 Bonds are authorized to be issued in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Parity Debt (as hereinafter described) to their stated maturity dates.

Under the Commercial Paper Resolution, the aggregate principal amount of Notes outstanding at any time may be increased or decreased, provided that at no time may the aggregate principal amount outstanding be in excess of the lesser of (1) the principal component of the Letter of Credit hereinafter described and (2) \$750 million. The Notes will be issued under the Issuing and Paying Agency Agreement, dated as of November 28, 2006 (the "Issuing and Paying Agency Agreement"), between MTA and The Bank of New York, as successor in interest to JPMorgan Chase Bank, N.A., acting as Issuing and Paying Agent (the "Issuing and Paying Agent").

## **THE NOTES**

### **Purpose of the Notes**

The proceeds of the Notes may be used to (1) finance the costs of equipment for and improvements to the subway and bus systems operated by MTA New York City Transit and its subsidiary, MaBSTOA, (2) finance the costs of equipment for and improvements to the commuter rail facilities operated by MTA's subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad, (3) finance the costs of equipment for and improvements to the bus system operated by MTA's subsidiary, MTA Bus, (4) pay principal and interest on other outstanding Notes, (5) reimburse ABN AMRO Bank N.V. (the "Bank") for draws on its irrevocable direct pay letter of credit (the "Letter of Credit"), and (6) fund capitalized interest on the Notes.

### **Description of the Notes**

The Notes will be dated the date of their respective authentication, will be issued as interest-bearing obligations in denominations of \$100,000 and additional increments of \$1,000 above \$100,000 and, except as described below, will be issued in book-entry-only form through the book-entry-only system of The Depository Trust Company ("DTC"). See **Attachment 2** – "BOOK-ENTRY-ONLY SYSTEM". Each

Note will bear interest from its date of issuance at the rate determined at the date of issuance (which may not exceed 12% per annum) and payable at maturity. The Notes are not callable prior to maturity.

The Notes will mature no later than 270 days from their date of issuance; provided that, so long as the Letter of Credit is in effect, no Notes may be issued with a maturity date after the stated expiration date of the Letter of Credit or after the stated expiration date of a substitute Letter of Credit. Interest is computed on the basis of a 365 or 366-day year, and the actual number of days elapsed. The principal of and interest on the Notes in book-entry-only form will be paid at maturity to DTC and distributed by it to its Participants as described in **Attachment 2** – “BOOK-ENTRY-ONLY SYSTEM”.

## SECURITY FOR THE NOTES

### General

The principal of and interest on the Notes are payable solely from the proceeds of (1) draws under the Letter of Credit, (2) other Notes, (3) the Series CP-1 Bonds, and (4) though not pledged therefor, notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of bonds or parity obligations issued under the Resolution. Pursuant to the Series CP-1 Bonds Supplemental Resolution, MTA has authorized the issuance of the Series CP-1 Bonds in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Parity Debt to their stated maturity dates.

**The Notes are not a debt of the State of New York, The City of New York or any other local government unit, and the State, the City and other local government units are not liable thereon. MTA has no taxing power.**

MTA expects to pay the principal of and interest on the Notes with the proceeds of draws under the Letter of Credit, and to immediately reimburse the Bank for such draws with the proceeds of the remarketing of additional Notes and other available moneys (in the case of interest) until MTA provides for permanent financing of the projects initially financed with the proceeds of the Notes either by the issuance of the Series CP-1 Bonds or other long-term bonds issued under the Resolution or with Federal grants.

MTA may substitute another letter of credit for the Letter of Credit, provided that each rating agency then rating the Notes has sent to MTA written notice to the effect that such substitution will not, by itself, result in a reduction, withdrawal or suspension of such rating agency’s ratings of the Notes from those which then prevail, and MTA provides at least 15 days’ prior notice of the substitution thereof to the Noteholders and the Dealers.

### Letter of Credit and Security for the Bank

*Letter of Credit.* MTA has entered into a Letter of Credit and Reimbursement Agreement with the Bank, pursuant to which the Bank has issued an irrevocable direct pay Letter of Credit expiring on December 8, 2010 in favor of the Issuing and Paying Agent in order to pay principal and interest (calculated at the rate of 10% per annum for a period of 90 days and based on a year of 360 days) due on the Notes as provided therein. The stated amount of the Letter of Credit is \$768,750,000.

For information relating to the Bank, see **Attachment 1** – “ABN AMRO BANK N.V.”.

*Bank Notes.* Pursuant to the Commercial Paper Resolution, MTA has authorized the issuance of Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Bank Series CP-1 (the “Bank Notes”) in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes to their stated maturity dates in the event the Notes cannot be remarketed. The Bank has agreed to hold the Bank Notes for up to 90 days, at which time, if the Notes still cannot be remarketed, MTA’s obligations to the Bank will constitute Bank Parity Debt as hereinafter described. The Bank Notes are

payable solely from (i) the moneys and securities (if any) on deposit in the Series CP-1 Bank Reimbursement Fund created under the Commercial Paper Resolution, (ii) the proceeds of Bank Parity Debt, (iii) the proceeds of the Series CP-1 Bonds, and (iv) though not pledged therefor, the proceeds of notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to pay Bank Notes.

There shall be deposited into the Series CP-1 Bank Reimbursement Fund those proceeds of the Notes which are to be used to reimburse the Bank for draws under the Letter of Credit, as well as any other amounts provided in the sole discretion of MTA that are lawfully available therefor.

*Bank Parity Debt.* MTA has authorized the incurrence of Parity Debt under the Resolution in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Notes to their stated maturity dates. The Bank Parity Debt is secured in the same manner as Obligations and other Parity Debt issued under the Resolution.

## LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of MTA, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance or delivery of the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds, or in any way questioning or affecting: (i) the proceedings authorizing the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds, or (ii) the validity of any provision of the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds or the Resolution.

MTA, its affiliates and subsidiaries are defendants in numerous claims and actions. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the Notes. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** under the caption "LITIGATION."

## TAX MATTERS

### General

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

- excluded from a noteholder's federal gross income under the Internal Revenue Code of 1986,
- not a preference item for a noteholder 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 Notes will be exempt from personal income taxes of New York State and any political subdivisions of the State. See **Attachment 3** to this offering memorandum for the form of the opinion that Bond Counsel expects to deliver when the Notes are delivered.

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

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

Their opinion may continue to be relied upon as to Notes issued subsequent to the date of their opinion only to the extent described in the form of the opinion found in **Attachment 3** to this offering memorandum.

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

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Notes, or under State, local and foreign tax law.

### **Backup Withholding**

Under the Internal Revenue Code, interest on tax-exempt obligations paid after March 31, 2007, including interest on the Notes, is subject to “backup withholding” if the recipient of the interest does not complete a Form W-9, Request for Taxpayer Identification Number and Certification, or otherwise provide to the payor (i.e., the financial institution paying the interest on behalf of MTA) a taxpayer identification number. “Backup withholding” means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Internal Revenue Code.

In general, it is expected that noteholders purchasing the Notes through a brokerage account will have executed a Form W-9 in connection with the establishment of such account so that no backup withholding will occur. The backup withholding requirement does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the noteholder’s federal income tax once the required information is furnished to the Internal Revenue Service.

### **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Notes are securities in which the following investors may properly and legally invest funds, including capital in its control or belonging to it:

- 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 Notes.

#### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization and issuance of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to MTA. Certain legal matters are subject to the approval of the General Counsel to MTA and of White & Case LLP, Counsel to the Bank.

#### **RATINGS**

The Notes have been rated “P-1” by Moody’s Investors Service, “A-1+” by Standard & Poor’s Ratings Services and “F1+” by Fitch Ratings with the understanding that upon delivery of the Notes the Bank will issue the Letter of Credit. MTA has not applied for a rating on the Notes not secured by the Letter of Credit. The rating agencies may have obtained and considered information and material that have not been included in this Offering Memorandum. Generally, the rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them. The ratings are not a recommendation to buy, sell or hold the Notes. The ratings reflect only the views of the rating agencies and an explanation of the significance of such ratings may be obtained from them. No assurance can be given that the ratings will be maintained for any given period of time or that the ratings may not be revised downward or withdrawn entirely by the rating agencies, if, in their judgment, circumstances warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Notes. The Dealers, the Bank and MTA have undertaken no responsibility after the offering of the Notes to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

#### **ADDITIONAL INFORMATION**

The references herein to the Letter of Credit, the Letter of Credit and Reimbursement Agreement, the Resolution, the Commercial Paper Resolution, the Series CP-1 Bonds Supplemental Resolution and the Issuing and Paying Agency Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents for full and complete statements of such documents. Copies of such documents are on file at, and may be obtained from, the office of MTA at the location set forth above under “INTRODUCTION – Where to Find Information”.

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**ABN AMRO BANK N.V.**

*The information contained in this Attachment relates to and has been obtained from ABN AMRO. The delivery of the offering memorandum shall not create any implication that there has been no change in the affairs of ABN AMRO since the date hereof, or that the information contained or referred to in this Attachment is correct as of any time subsequent to its date. No representation is made by MTA, MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus, the Dealers or any of their counsel as to the accuracy, completeness or adequacy of the information contained in this Attachment.*

ABN AMRO Holding N.V. is an international multi-bank holding company, the sole direct subsidiary of which is ABN AMRO Bank N.V. (“ABN AMRO” or the “Bank”). ABN AMRO was created through the merger of Algemene Bank Nederland N.V. (ABN) and Amsterdam-Rotterdam Bank N.V. (AMRO), the two largest commercial banks in the Netherlands, in 1991. The origins of ABN AMRO date to a Royal Decree issued March 25, 1824 and an Instrument of Incorporation issued February 7, 1825. In the Netherlands, ABN AMRO files periodic reports with *De Nederlandsche Bank N.V.*, the Dutch Central Bank, in accordance with Dutch legal requirements. The Bank’s principal U.S. regulator is the Federal Reserve Bank of Chicago.

ABN AMRO is a leading international bank with total assets of EUR 999 billion (as at 30 September 2006). It has more than 4,500 branches in 53 countries, and has a staff of more than 110,000 full-time equivalents worldwide. ABN AMRO is listed on Euronext and the New York Stock Exchange.

ABN AMRO operates through ten Business Units: seven Client BUs organized on a regional and a global basis, as well as three Product BUs (Asset Management, Transaction Banking and Global Markets), which develop and deliver products for its clients globally. Through this Group-wide client-led strategy the Bank creates value for a comprehensive spectrum of clients, ranging from mass retail to high net worth private customers. ABN AMRO’s corporate clients range from a large number of small businesses to a smaller number of large multinationals. The Bank’s strategic focus is on the mid-market segment, where it has a strong, distinctive and competitive advantage. ABN AMRO offers tailor-made local services, such as Preferred Banking, that are supported by the global knowledge, expertise and product capabilities of the Bank.

In the United States, ABN AMRO operates banking offices in Boston, Chicago, Dallas, Houston, Jersey City, Miami, Newport Beach, New York, San Francisco and Seattle. These U.S. banking offices are subject to periodic examinations by state and federal bank regulatory agencies. The Bank’s broker-dealer subsidiaries in the U.S. include ABN AMRO Incorporated and LaSalle Financial Services, Inc.

The Bank is the parent company of LaSalle Bank N.A. and LaSalle Bank Midwest N.A., which serve individuals, small businesses, middle market companies and institutions in the United States. LaSalle Bank N.A. has been a leading Chicago financial institution since 1927.

Information regarding the Bank may be obtained by contacting:

ABN AMRO Bank N.V.  
Investor Relations (HQ 9141)  
P.O. Box 283  
1000 EA Amsterdam  
The Netherlands  
Tel. +31 20 628 7835  
Fax +31 20 628 7837  
www.abnamro.com  
investorrelations@nl.abnamro.com

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**BOOK-ENTRY-ONLY SYSTEM**

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

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

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

4. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of

notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Issuing and Paying Agent, 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 Issuing and Paying Agent 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 Issuing and Paying Agent, 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 Notes at any time by giving reasonable notice to MTA or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Notes 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 Notes will be printed and delivered

NOTWITHSTANDING THE FOREGOING, AS NOTED IN THIS OFFERING MEMORANDUM, THE NOTES ARE NOT CALLABLE PRIOR TO MATURITY.

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.

FORM OF BOND COUNSEL OPINION

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

Date of Initial Drawdown

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to its issuance from time to time of Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes"), the outstanding principal amount of which may not exceed at any time the lesser of (i) the Principal Component (as defined in the hereinafter defined Letter of Credit) available under the Letter of Credit or any substitute letter of credit and (ii) \$750 million. The Notes are more particularly described below.

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 Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated February \_\_, 2007 (the "Arbitrage and Use of Proceeds Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Notes, including, but not limited to, certain representations with respect to the use of the proceeds of the Notes and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Notes from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds 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 Notes, and (ii) compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

In connection with the issuance of the Notes, the MTA has entered into a Letter of Credit and Reimbursement Agreement, dated as of March 24, 2006, with ABN AMRO Bank, N.V. (the "Bank"), and the Bank has, as of November 28, 2006, amended the direct pay Letter of Credit (the "Letter of Credit") issued in accordance with the aforementioned Letter of Credit and Reimbursement Agreement, in order to pay principal and interest due on the Notes as provided therein.

We are of the opinion that:

1. The MTA is a validly existing public benefit corporation under the Constitution and laws of the State of New York (the "State"), and such record of proceedings and proofs show lawful authority for the issuance of said Notes pursuant to the Metropolitan Transportation Authority Act, Title 11 of Article 5 of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the "Issuer Act"), and the General Resolution Authorizing Transportation Revenue Obligations of the MTA, adopted on March 26, 2002, as supplemented, including as supplemented by the Series CP-1 Transportation Revenue Bond Supplemental Resolution and the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution (the "Note Resolution"), each adopted on May 30, 2002 (such General Resolution Authorizing Transportation Revenue Obligations as from time to time supplemented by said and other supplemental resolutions being herein called the "Resolution").

2. The MTA has the right and power under the Issuer Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the MTA, is in full force and effect and is valid and binding upon the MTA and enforceable in accordance with its terms, and no other authorization for the Resolution is required.

3. Upon due issuance of the Notes as provided in the Note Resolution and the Issuing and Paying Agency Agreement, and receipt by or on behalf of the MTA of payment therefor, the Notes will be valid and legally binding special obligations of the MTA, constituting Bond Anticipation Notes under the Resolution, and to the extent not paid from the proceeds of draws under the Letter of Credit will be payable solely from (i) the proceeds of the Series CP-1 Bonds, and (ii) the proceeds of notes, including renewal Notes, or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of Obligations or Parity Debt issued under the Resolution.

4. Under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Notes is not treated as a preference item for purposes of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations but is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed with respect to such corporations.

5. Under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Notes or ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Notes, or under State and local tax law.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolution and the Notes may be limited by bankruptcy, moratorium, insolvency, reorganization or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

You may continue to rely upon this opinion as to Notes issued subsequent to the date of this opinion to the extent (i) we have not advised you that this opinion may no longer be relied upon, (ii) there is no change in existing law subsequent to the date hereof, (iii) the MTA has complied with the covenants and conditions contained in the Note Resolution and (iv) the representations and covenants set forth in the Arbitrage and Use of Proceeds Certificate remain true and accurate and are complied with.

This opinion is issued as of the date hereof, and we assume no obligation to (i) update, revise or supplement this opinion to reflect any 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 other reason whatsoever, (ii) notify you or any other person prior to delivery of any Notes if the conditions stated in the preceding paragraph have not been met or (iii) review any legal matters incident to the authorization, issuance, validity and tax status of the Notes, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality of the Notes. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the MTA or the programs to be financed with the Notes other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy, sufficiency or completeness of any financial or other information which has been or will be supplied to purchasers or prospective purchasers of the Notes.

Very truly yours,

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