



**\$280,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Dedicated Tax Fund Variable Rate Bonds, Series 2004D**  
**consisting of**

**\$168,000,000 Subseries 2004D-1**

**\$112,000,000 Subseries 2004D-2**

**DATED: Date of Delivery**

**DUE: November 1, 2034**

The Subseries 2004D-1 and Subseries 2004D-2 Bonds (collectively, the Series 2004D Bonds) are being issued to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2004D Bonds –

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

MTA has no taxing power.

The Series 2004D Bonds will constitute Variable Interest Rate Obligations and will initially bear interest from their date of delivery in the Weekly Mode as herein described. The Series 2004D Bonds will bear interest from the date of delivery to and including December 29, 2004 at a rate established on the day prior to the closing and, thereafter, at the rate determined by the Remarketing Agents as herein described. MTA reserves the right at any time to convert to an Auction Rate Mode, Commercial Paper Mode, Daily Mode, Fixed Rate Mode or Term Rate Mode. **This official statement is intended to provide disclosure only to the extent the Series 2004D Bonds remain in the Weekly Mode.**

The Series 2004D Bonds of each Subseries are subject to mandatory or optional tender for purchase as more fully described herein. In order to provide for the payment of the purchase price in the event of a mandatory or optional tender, MTA has entered into a standby bond purchase agreement with Wachovia Bank, National Association in connection with the Series 2004D Bonds (the Initial Liquidity Facility). The Initial Liquidity Facility is scheduled to expire on December 11, 2007, unless extended or earlier terminated (in certain cases without notice or without the obligation of the Liquidity Facility Issuer to purchase Series 2004D Bonds that have been tendered for purchase) in accordance with its terms as described in this official statement.

Payment of the principal of and interest on the Series 2004D Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2004D Bonds.

**Ambac**

Price – 100%

The Remarketing Agents will suspend remarketing of the Series 2004D Bonds upon the occurrence of a default by the Insurer or upon the termination or suspension of the Liquidity Facility. The Initial Liquidity Facility does not provide security for the scheduled payment of principal of or interest or premium, if any, on the Series 2004D Bonds, and the funds drawn thereunder may not be used for such purposes. Payment of purchase price is not an obligation of MTA or the Insurer.

The Bank of New York is the Trustee, Paying Agent and Tender Agent for the Series 2004D Bonds.

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2004D 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 2004D Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State.*

The Series 2004D Bonds are subject to redemption prior to maturity as described herein.

The Series 2004D 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 December 21, 2004.

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 2004D Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific reference, to obtain information essential to making an informed decision.

**SUMMARY OF TERMS RELATING TO WEEKLY MODE\***

INTEREST PAYMENT DATES AND CALCULATION PERIOD	The first Business Day of each month, commencing January 3, 2005, on actual days over a 365-day year (366 in years when February has 29 days)
RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date
OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date
NOTICE OF MODE CHANGE; MODE CHANGE DATE	Trustee to mail notice to Owners not later than 20 days before the Mode Change Date, which can be any Business Day
MANDATORY TENDER FOR PURCHASE	On each Mode Change Date, Expiration Tender Date, Termination Tender Date and Substitution Date
RATE DETERMINATION DATE	Each Wednesday, unless such Wednesday is not a Business Day, in which case the rate shall be set on the Business Day next preceding such Wednesday
RATE ADJUSTMENT DATE	Thursday of each week
TENDER AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	The Bank of New York 101 Barclay Street 21-W New York, New York 10286 Attention: William G. Keenan Phone: (212) 815-2588 Fax: (212) 815-5595
REMARKETING AGENT FOR SUBSERIES 2004D-1 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	Lehman Brothers Inc. 745 7 <sup>th</sup> Avenue, 3 <sup>rd</sup> Floor New York, New York 10019 Attention: Kelley Krant Phone: (212) 528-1011 Fax: (646) 885-9462
REMARKETING AGENT FOR SUBSERIES 2004D-2 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	J.P. Morgan Securities Inc. 270 Park Avenue, 6 <sup>th</sup> Floor New York, New York 10017 Attention: Short-Term Manager Phone: (212) 834-7175 Fax: (212) 834-6737

***The Underwriters may effect transactions that stabilize or maintain the market price of the Series 2004D 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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\* So long as the Series 2004D Bonds are registered in the name of Cede & Co., as Bondholder and Securities Depository Nominee of DTC, mechanics for tender and redemption will be in accordance with procedures established by DTC.

# 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*  
Edward B. Dunn ..... *Vice-Chairman*  
Andrew B. Albert ..... *Non-Voting Member*  
John H. Banks ..... *Member*  
James F. Blair ..... *Non-Voting Member*  
Nancy Shevell Blakeman ..... *Member*  
Anthony J. Bottalico ..... *Non-Voting Member*  
Michael J. Canino ..... *Non-Voting Member*  
Barry L. Feinstein ..... *Member*  
Lawrence W. Gamber ..... *Member*  
James H. Harding, Jr. .... *Member*  
Susan L. Kupferman ..... *Member*  
Mark D. Lebow ..... *Member*  
James L. McGovern ..... *Non-Voting Member*  
Mark Page ..... *Member*  
Ernest J. Salerno ..... *Member*  
Andrew M. Saul ..... *Member*  
James L. Sedore, Jr. .... *Member*  
James S. Simpson ..... *Member*  
Edward A. Vrooman ..... *Member*  
Ed Watt ..... *Non-Voting Member*  
Alfred E. Werner ..... *Member*

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

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## HAWKINS DELAFIELD & WOOD LLP

New York, New York  
*Bond Counsel*

## GOLDMAN, SACHS & CO.

New York, New York  
*Financial Advisor*

## SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2004D Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to MTA's Dedicated Tax Fund Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer .....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.
Bonds Being Offered .....	Dedicated Tax Fund Variable Rate Bonds, Series 2004D.
Purpose of Issue .....	To finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.
Maturity and Rates .....	The Series 2004D Bonds are Variable Interest Rate Obligations that initially bear interest in the Weekly Mode as herein described and that mature on November 1, 2034.
Denominations in Weekly Mode .....	\$100,000 or any integral multiple of \$5,000 in excess thereof.
Interest Payment Dates in Weekly Mode .....	The first Business Day of each month, commencing January 3, 2005.
Redemption .....	See "DESCRIPTION OF SERIES 2004D BONDS – Redemption Provisions During The Weekly Mode" in Part I for redemption information.
Tender.....	See "DESCRIPTION OF SERIES 2004D BONDS – Tender, Presentation and Purchase Provisions of the Series 2004D Bonds During the Weekly Mode" in Part I for tender provisions.
Sources of Payment and Security .....	MTA's pledged State taxes.
Initial Liquidity Facility .....	Standby Bond Purchase Agreement with Wachovia Bank, National Association that expires on December 11, 2007, unless extended or earlier terminated as described herein. See "DESCRIPTION OF SERIES 2004D BONDS – Liquidity Facility" in Part I.
Credit Enhancement .....	Financial guaranty insurance policy from Ambac Assurance Corporation.
Registration of the Bonds .....	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee and Tender Agent .....	The Bank of New York, New York, New York.
Bond Counsel .....	Hawkins Delafield & Wood LLP, New York, New York.
Tax Status .....	See "TAX MATTERS" in Part III.
Expected Ratings .....	Standard & Poor's: AAA/A-1 Fitch: AAA/F1+ See "RATINGS" in Part III.
Financial Advisor .....	Goldman, Sachs & Co.
Underwriters/Remarketing Agents .....	See cover page and "Summary of Terms Relating to Weekly Mode." Lehman Brothers Inc. is the representative of the Underwriters for the Series 2004D Bonds.
Purchase Price/Underwriters' Discount.....	See "UNDERWRITING" in Part III.
Counsel to the Underwriters .....	Orrick, Herrington & Sutcliffe LLP, New York, New York.

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2004D 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 2004D 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 2004D Bonds being offered, or anything else related to this bond issue.
  - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice, and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
  - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
  - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.
  - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.
  - ***Bond Insurer Information.*** Other than with respect to information concerning the Insurer contained under the caption "DESCRIPTION OF SERIES 2004D BONDS – Bond Insurance" and in Attachment 4 herein, none of the information in this official statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2004D Bonds, or
    - the tax-exempt status of the interest on the Series 2004D Bonds.

- ***Initial Liquidity Facility Issuer Information.*** Other than with respect to information concerning the Initial Liquidity Facility Issuer contained in Attachment 5 herein, none of the information in this official statement has been supplied or verified by the Initial Liquidity Facility Issuer and the Initial Liquidity Facility Issuer makes no representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2004D Bonds, or
    - the tax-exempt status of the interest on the Series 2004D Bonds.
  
  - ***SEC Rule 15c2-12.*** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Series 2004D Bonds to provide continuing disclosure during the period that such Series 2004D Bonds bear interest in the Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.
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***Information Included by Specific Cross-reference.*** The following portions of MTA's 2004 Combined Continuing Disclosure Filings, dated April 29, 2004, and filed with the repositories identified in the "INTRODUCTION" to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2004D 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, 2003 and 2002

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

- Summary of Certain Provisions of the DTF Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions

## INTRODUCTION

### MTA, TBTA 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 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 (the Transit Authority) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); The Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); and the MTA Capital Construction Company (MTA Capital Construction). MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA.

Another affiliate of MTA, Triborough Bridge and Tunnel Authority, or TBTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. TBTA issues debt obligations to finance the capital costs of its facilities and the transit and commuter systems. TBTA’s surplus amounts are used to fund transit and commuter operations and capital projects.

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

MTA, TBTA and the other Related Entities are described in detail in Appendix A to MTA’s 2004 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this official statement.

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

### Recent Developments

***MTA Financial Plan Information Updated.*** MTA, on behalf of the Related Entities, recently released its updated financial plan, dated November 24, 2004, for the years 2005-2008 (the 2005-2008 Financial Plan) that includes a proposed budget for 2005 (the Proposed 2005 Budget) and a financial plan for the years 2006–2008. The 2005-2008 Financial Plan updates the information set forth in the July 2004 preliminary 2005-2008 financial plan (the July 2004 Preliminary Plan). Copies of the 2005-2008 Financial Plan are posted on MTA’s website ([www.mta.info](http://www.mta.info)).

The 2005-2008 Financial Plan contains recommendations by the Executive Director that the MTA Board take certain actions to close future years’ budget gaps. The Board is scheduled to meet on December 16, 2004 to consider the 2005-2008 Financial Plan and to adopt a final 2005 budget. The Board could adopt the Executive Director’s recommendations in whole or in part and/or approve alternative proposals. No assurances can be given that the 2005-2008 Financial Plan, including the Proposed 2005 Budget, will be adopted without material changes.

MTA projects, in the 2005-2008 Financial Plan, the following, after taking into consideration the application of TBTA’s operating surplus to mass transit:

- The Related Entities will have a cash balance at the end of 2004 of \$639 million, which is an increase of \$330 million over the cash balance projected in the July 2004 Preliminary Plan, primarily due to (1) greater than expected mortgage recording tax and urban tax collections (\$166 million), (2) lower than expected debt service costs (\$61 million), and (3) improvement in agency and other baseline changes largely related to the shifting of expenses from 2004 to 2005 (\$103 million).

- Given the continuing activity in the region's real estate market (both residential and commercial), MTA increased the 2005 mortgage recording tax and urban tax collections projections by \$104 million over the July 2004 Preliminary Plan. However, the Executive Director is recommending that the MTA Board create a \$200 million stabilization account out of the 2004 cash surplus to hedge against a downturn in the real estate market. In addition, a downward adjustment was made in the 2005 debt service costs (\$42 million) to reflect lower interest rates and timing changes in the 2005 debt issuance schedule.
- When all of the adjustments in 2004 and 2005 are accounted for, including the better-than-expected real estate related tax receipts, the baseline projections (in cash) for the budget before gap closing actions are as follows: a surplus of \$639 million in 2004 and annual deficits of \$116 million, \$1.27 billion, \$1.54 billion and \$1.88 billion in 2005 through 2008, respectively.
- The Executive Director's major recommendations are as follows:
  - o implement the following fare and toll increases:
    - for transit system riders, increase the cost of 30-day and 7-day unlimited ride MetroCards,
    - for commuter system riders, increase fares by an average of 5%, and
    - for bridges and tunnels, increase the toll on the major facilities (Triborough, Verrazano-Narrows, Bronx-Whitestone and Throgs Neck Bridges and the two tunnels) by 50 cents and on the minor facilities (Henry Hudson, Marine Parkway-Gil Hodges Memorial and Cross Bay Veterans Memorial Bridges) by 25 cents;
  - o increase the express bus fare from \$4 to \$5;
  - o maintain fundamental service levels;
  - o avoid layoffs of represented (union) employees;
  - o create the \$200 million stabilization account to offset a potential decrease in real estate related tax receipts described above; and
  - o 2005 expenses reflect reductions totaling \$117 million, with a concomitant reduction in headcount of 1,295 positions.
- If the foregoing recommendations are approved by the Board, MTA projects that the Related Entities will have cash surpluses of \$459 million in 2004 and \$55 million in 2005 and annual cash deficits in 2006, 2007 and 2008 of \$606 million, \$690 million and \$994 million, respectively.
- Assuming the stabilization account was to remain fully funded at the end of 2005, those moneys could be applied to offset the service reductions totaling \$180 million identified for 2006 in the July 2004 Preliminary Plan (e.g. eliminating 33 bus routes, 30 minute headways on late night subway service, and abandoning certain LIRR branches).

The MTA projections for 2007 through 2008 assume a 5% additional yield in fares and/or tolls in 2007 due to increased ridership or adjustments in discount programs, but not necessarily an increase in the base fare and/or toll.

MTA may update all or any portion of the 2005-2008 Financial Plan from time to time. MTA may be forced to institute additional cost reductions or take other actions to close projected budget gaps, which could include seeking additional subsidies and/or raising fares and tolls. The four-year financial plan will assume a level of capital spending for years subsequent to the current Transit and Commuter Capital Programs. The proposed capital programs for the transit and commuter systems covering the years 2005-2009 were submitted to the Review Board by October 1, 2004 as required by law. See “*Proposed 2005-2009 Capital Programs*” below. The Review Board has not taken any action to approve the program. The final programs may be substantially different from those submitted.

Until the proposed capital programs for the transit and commuter systems are adopted and receive all required approvals, it is anticipated that various governmental officials and parties representing various non-governmental entities may issue statements and reports commenting on such capital programs, the projects included therein and the ability of MTA and TBTA to finance the programs. MTA expects to respond to such statements and reports in proper forums when appropriate.

***Proposed 2005-2009 Capital Programs.*** On September 29, 2004, the MTA Board approved the submission to the Review Board of proposed transit and commuter capital programs that include core capital, system expansion and security programs. The TBTA capital program does not require approval by the Review Board. The highlights of the capital programs are as follows:

- The core capital program relates to state of good repair, normal replacement and system improvement and totals \$17.2 billion, allocated as follows:
  - o Transit System – \$12.1 billion in expenditures including the purchase of 960 subway cars and 1,300 buses, expansion of the bus locator system to the entire fleet, 55 station rehabilitations, a passenger transfer between the Jay Street and Lawrence Street Stations in Brooklyn, and further investments in automated train supervision and communications based train control.
  - o Commuter System – \$2.4 billion in expenditures for LIRR including phase one of the mainline third track between Bellerose and Hicksville, a new yard to serve the Port Jefferson branch, and 170 M-7 cars to complete the replacement of the M-1 fleet; and \$1.4 billion in expenditures for MNCRC including MNCRC’s share of the cost of 100 M-8 cars to begin replacement and growth for the New Haven M-2 fleet, 25 station rehabilitations, and phases 2 and 3 of the replacement of the 100-year-old Croton-Harmon Shop and Yard.
  - o Bridges and Tunnels – \$1.3 billion for heavy deck, structural and cable rehabilitation work begun in the prior program, with particular emphasis on rehabilitation of the Bronx-Whitestone, Triborough and Verrazano-Narrows Bridges.
- With respect to the core capital program, MTA expects that approximately \$4.5 billion will be funded with Federal funds and \$1.4 billion with MTA non-bond contributions consisting of potential asset sales and surplus funds from prior programs. The remaining \$11.3 billion must be filled by other sources that are not yet identified, such as MTA/TBTA debt, new revenues and State and/or City subsidies.
- The system expansion projects, which are managed by MTA Capital Construction, total \$9.9 billion and consist of the following:
  - o East Side Access – \$4.6 billion to complete this project, funded half by Federal funds and half by MTA sources, including MTA debt.
  - o Second Avenue Subway – \$2.8 billion for the initial operating segment of the full-length subway project, funded half by Federal funds and half by MTA sources, including MTA debt.
  - o Extension of the #7 Line – \$1.99 billion to extend the #7 subway line west down 42<sup>nd</sup> Street, then south down 11<sup>th</sup> Avenue, expected to be funded by the City.

- o Lower Manhattan Rail Link to JFK – \$400 million as MTA’s contribution to the design and construction of this rail line.
- o \$120 million for miscellaneous project costs not eligible for Federal reimbursement and for general management of the projects.
- A security program totaling \$495 million would fund security projects throughout the MTA system. MTA expects to pursue Federal funding for these projects; in the absence of Federal funding, alternate funding sources will need to be identified.
- In addition, for the first time, MTA is including as a separate investment category the following two interagency projects:
  - o MTA Police Department projects in the amount of \$69.1 million, including a public safety radio system and the construction and/or renovation of offices and training facilities.
  - o MTA Integrated Systems Initiative in the amount of \$75.0 million, consisting of the development of an MTA-wide system to integrate inter-agency financial, human resource and other support service information and work processes.

The sources of funding listed above are preliminary in nature and do not reflect actual contractual agreements with the Federal government, the City or others to provide the listed amounts of funding.

On December 3, 2004, MTA Chairman Peter Kalikow sent a letter to members of the Review Board proposing that substantial funding for the submitted transit and commuter capital plans could be raised by increasing many of the dedicated taxes and fees (not including the regional sales tax) and the mortgage recording and urban taxes by 50%, resulting in an additional approximately \$850 million annually. The Chairman indicated that these additional revenues would enable the MTA to proceed with the 2005-2009 Capital Program as proposed. Without such substantial increase in funding of the proposed capital plans, the Chairman proposed to shift funding from the East Side Access and Second Avenue Subway budgets in the 2000-2004 Capital Plan which has not yet been spent (approximately \$2.5 billion) to fund 2005 core capital and security programs and to abandon all system expansion projects in favor of maintaining the state of good repair of the transit and commuter systems. The implementation of the proposals set forth in the Chairman’s letter requires, among other things, the enactment of statutory changes and Review Board approval. Enactment of all of these tax law and fee changes may not generate moneys that fully fund the entire proposed 2005-2009 capital plans due to, among other things, the level of economic activity underlying the taxes and interest rates on proposed debt. No assurances can be given that the proposals set forth in the Chairman’s letter will be enacted by the State Legislature or approved by the Review Board or that other alternative solutions will not be considered.

***Change in Budgetary and Financial Reporting Procedures.*** At its meeting on July 29, 2004, the MTA Board amended its budgetary and financial reporting procedures to provide for the following:

- In July of each year, the Executive Director will submit to the MTA Board a preliminary budget for the next year and an update to the four-year financial plan (which includes the next year and the three years thereafter).
- In September and October, the MTA Board and the operating committees of the MTA Board will include the July preliminary budget and financial plan on their agendas. Public comments will be solicited at the September meeting.
- In November, a proposed final budget for the next fiscal year, together with a revised four-year financial plan, will be submitted to the MTA Board.
- A final budget for the next fiscal year, following public comment, will be adopted by the MTA Board by no later than December 31.

- No later than February, the MTA Budget staff will issue a report containing the supporting schedules for the current year budget as adopted by the MTA Board the preceding December, as well as an update to the July four-year financial plan.

***Insurance Coverage Effective October 31, 2004.*** MTA's property insurance policy, which is subject to annual renewal, became effective October 31, 2004 and provides for the following:

- MTA's captive insurance company subsidiary, First Mutual Transportation Assurance Company (FMTAC), directly insures property damage claims of the Related Entities in excess of a \$25 million per occurrence self-insurance retention, subject to an annual \$75 million aggregate. The aggregate limitation has been increased from \$1 billion to \$1.25 billion per occurrence covering property of the Related Entities collectively.
- The property insurance 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 the exception of acts of terrorism (both domestic and foreign), FMTAC is reinsured in the domestic, London and European marketplace, for this coverage.
- With respect to acts of international terrorism covered by the Terrorism Risk Insurance Act of 2002 (TRIA), FMTAC is reinsured by the United States for 90% of losses, subject to an annual cap on all losses payable under TRIA of \$100 billion. The remaining 10% of MTA losses would be covered under an additional policy described in the next paragraph.
- With respect to acts of terrorism not covered by TRIA, MTA obtained an additional commercial reinsurance policy that provides coverage against all acts of terrorism in an amount of up to \$125 million per occurrence (subject to the \$25 million per occurrence self-insurance retention). In the event the occurrence is covered by TRIA, the coverage afforded by the additional policy provides for the payment of FMTAC's 10% retention not covered by TRIA subject to a maximum recovery of \$97.5 million.

## **Where to Find Information**

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

- This ***Introduction*** provides a general description of certain recent developments, as well as the MTA Dedicated Tax Fund.
- ***Part I*** provides specific information about the Series 2004D Bonds.
- ***Part II*** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2004D Bonds.
- ***Part III*** provides miscellaneous information relating to the Series 2004D Bonds.
- ***Attachment 1*** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2004D Bonds.
- ***Attachment 2*** sets forth a summary of certain definitions used in this official statement.
- ***Attachment 3*** is the form of opinion of Bond Counsel in connection with the Series 2004D Bonds.
- ***Attachment 4*** is the form of specimen financial guaranty insurance policy.
- ***Attachment 5*** sets forth certain information with respect to the Initial Liquidity Facility Issuer.
- ***Information Included by Specific Cross-reference*** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

***Bloomberg Municipal Repository***

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

***FT Interactive Data***

Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
Email: NRMSIR@FTID.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 those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2004D 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) above. For important information about MTA's website, see Part III—"FURTHER INFORMATION" below.

**The MTA Dedicated Tax Fund**

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

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

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

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

- a 1/4 of one percent regional sales tax,
- a temporary regional franchise tax surcharge,
- a portion of taxes on certain transportation and transmission companies, and
- an additional portion of the business privilege tax imposed on petroleum businesses.

The MTA Act requires that MTTF Receipts deposited into the MTA Dedicated Tax Fund be applied to meet debt service requirements of obligations, including the Series 2004D Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2004D Bonds, are referred to collectively herein as the Bonds). That legislation also requires that MMTOA Receipts deposited into the MTA Dedicated Tax Fund be applied, to the extent that MTTF Receipts are not sufficient to meet those requirements, to meet debt service requirements of the Bonds. MTTF Receipts and MMTOA Receipts not used to meet those requirements are transferred to the Operating and Capital Costs Account to be used to pay operating and capital costs of the Transit System and SIRTOA and the Commuter System.

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

## PART I. SERIES 2004D BONDS

*Part I* of this official statement, together with the Summary of Terms, provides specific information about the Series 2004D Bonds.

### PLAN OF FINANCE AND APPLICATION OF PROCEEDS

In addition to the Series 2004D Bonds, MTA expects to issue its Series 2004C Dedicated Tax Fund Bonds (the Series 2004C Bonds) on a parity with all Bonds, including the Series 2004D Bonds, on or about the same day in order to raise a total of approximately \$400 million of net proceeds to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries. MTA expects that the Series 2004C Bonds, in the aggregate principal amount of \$120 million, will be issued as fixed rate bonds. Delivery of the Series 2004C Bonds and the Series 2004D Bonds are not conditioned upon one another, and either series may be cancelled or postponed at any time without affecting the delivery of the other series.

### DESCRIPTION OF SERIES 2004D BONDS

*Unless the context otherwise indicates, references in the following description to the "Series 2004D Bonds" apply to the Subseries 2004D-1 Bonds and the Subseries 2004D-2 Bonds independently. The payment of principal of and interest on the Series 2004D Bonds, but not Purchase Price, is secured by a financial guaranty insurance policy issued by Ambac Assurance Corporation (the Insurer). Purchase Price with respect to tendered Series 2004D Bonds is payable under an Initial Liquidity Facility with Wachovia Bank, National Association (the Initial Liquidity Facility Issuer). Actions may be taken, or determinations made, with respect to one Subseries that are not taken or made with respect to the other.*

#### General

***Variable Rate Bonds.*** The Series 2004D Bonds will be dated their date of delivery and will mature on November 1, 2034. The Series 2004D Bonds are Variable Interest Rate Obligations that initially bear interest from their date of delivery in the Weekly Mode. The Series 2004D Bonds will bear interest from the date of issuance to and including December 29, 2004 at a rate to be established on the day prior to the closing and, thereafter, at the rate determined by the Remarketing Agent as described below. **This official statement is intended to provide disclosure only to the extent the Series 2004D Bonds remain in the Weekly Mode. In the event MTA elects to convert the Series 2004D Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2004D Bonds is paid in arrears and is computed upon the basis of a 365-day year (366 in years when February has 29 days), for the number of days actually elapsed. The maximum rate of interest on the Series 2004D Bonds (other than Bank Bonds, as hereinafter described) at any time, whether before or after the maturity thereof, is 12% per annum (the Maximum Rate). "Bank Bonds" are Series 2004D Bonds held by the Liquidity Facility Issuer as a result of a draw on the Liquidity Facility to pay the Purchase Price (as hereinafter defined) of Series 2004D Bonds that have been tendered and not remarketed and may bear interest at a rate of up to 25% per annum.

MTA has appointed Lehman Brothers Inc. as Remarketing Agent in connection with the remarketing of the Series 2004D-1 Bonds and J.P. Morgan Securities Inc. as Remarketing Agent in connection with the remarketing of the Series 2004D-2 Bonds. Each Remarketing Agent will determine the interest rate on its Subseries of the Series 2004D Bonds separately and will remarket the Subseries of the Series 2004D Bonds tendered or required to be tendered for purchase on a best efforts basis. Each Remarketing Agent may be removed or replaced by MTA in accordance with the Remarketing Agreement relating to that Subseries of the Series 2004D Bonds. Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend its obligation to remarket Series 2004D Bonds upon the occurrence of a default by the Insurer under the Insurance Policy or upon the suspension or termination of the Liquidity Facility relating to such Subseries.

***Payment of Series 2004D Bonds Purchase Price.*** The Purchase Price of the Series 2004D Bonds that are tendered and not remarketed on any Purchase Date is payable pursuant to a standby bond purchase agreement (the Initial Liquidity Facility), by and among Wachovia Bank, National Association (the Initial Liquidity Facility Issuer), MTA and The Bank of New York, acting as Trustee and Tender Agent with respect to the Series 2004D Bonds.

For more information relating to the Initial Liquidity Facility Issuer, see **Attachment 5**.

**The obligations of the Initial Liquidity Facility Issuer to purchase Series 2004D Bonds are subject to the satisfaction of certain conditions and may be terminated or suspended, in certain instances without notice or without the obligation of the Liquidity Facility Issuer to purchase Series 2004D Bonds that have been tendered for purchase.** See “—Liquidity Facility” below.

The Purchase Price on each Subseries of the Series 2004D Bonds is payable solely from the proceeds of remarketing such Subseries by the Remarketing Agent assigned to such Subseries, and from the proceeds from draws under the Liquidity Facility. Although MTA has the option to purchase Series 2004D Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent, the Remarketing Agent or the Insurer and failure to make that payment shall not constitute an Event of Default under the DTF Resolution. See “—Source of Funds for Purchase of Series 2004D Bonds” below.

The Initial Liquidity Facility is scheduled to expire on December 11, 2007, unless extended or earlier terminated (in certain cases without notice) in accordance with its terms. See “—Liquidity Facility” below.

**Credit Enhancement.** The scheduled payment of principal of and interest on the Series 2004D Bonds when due will be guaranteed under a municipal bond insurance policy (the Insurance Policy) to be issued concurrently with the delivery of the Series 2004D Bonds by Ambac Assurance Corporation, the Insurer. See “—Bond Insurance” below.

**Book-Entry-Only System.** The Series 2004D 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 2004D Bonds. During the period during which the Series 2004D Bonds bear interest in the Weekly Mode, individual purchases will be made in book-entry-only form, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof (Authorized Denominations). So long as DTC is the registered owner of the Series 2004D Bonds, all payments on the Series 2004D Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1** – “Book-Entry-Only System.”

**Interest Payments.** Interest on the Series 2004D Bonds is payable on the first Business Day of each month, commencing January 3, 2005. So long as DTC is the sole registered owner of all of the Series 2004D Bonds, all interest payments will be made to DTC by wire transfer of immediately available funds, and DTC’s participants will be responsible for payment of interest to beneficial owners. All Series 2004D Bonds are fully registered in Authorized Denominations.

**Transfers and Exchanges.** So long as DTC is the securities depository for the Series 2004D Bonds, it will be the sole registered owner of the Series 2004D Bonds, and transfers of ownership interests in the Series 2004D Bonds will occur through the DTC Book-Entry-Only System.

**Trustee, Paying Agent and Tender Agent.** The Bank of New York is Trustee, Paying Agent and Tender Agent with respect to the Series 2004D Bonds.

### **Terms Relating to the Weekly Mode**

**Determination of Interest Rate in the Weekly Mode.** The interest rate for the Series 2004D Bonds in a Weekly Mode shall be determined by the applicable Remarketing Agent for each Subseries on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the Rate Determination Date). The interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2004D Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The interest rate shall be effective on Thursday and shall continue in effect through the next succeeding Wednesday (the Interest Period), provided that if any Series 2004D Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Series 2004D Bond shall continue in effect only until the day preceding the applicable Mode Change Date.

In the event the Remarketing Agent fails to determine the interest rate or the method of determining the interest rate is held to be unenforceable by a court of law of competent jurisdiction, the Series 2004D Bonds will bear interest at the Alternate Rate for subsequent Interest Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel.

The Alternate Rate is

- the BMA Index (The Bond Market Association Municipal Swap Index released by Municipal Market Data to its subscribers), or
- if the BMA Index is no longer published, the Kenny Index (the rate determined on the basis of the Kenny 30-Day High Grade Index announced on Tuesday or the next preceding Business Day and as computed by Kenny Information Systems, Inc.), or
- if neither the BMA Index nor the Kenny Index are published, an index or a rate selected or determined by the Trustee and consented to by the Issuer and the Insurer.

No Series 2004D Bond (other than a Bank Bond) may at any time bear interest at a rate that is in excess of 12%. No Bank Bond may at any time bear interest at a rate that is in excess of 25%.

***Binding Effect.*** Each determination of the interest rate for the Series 2004D Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2004D Bonds of such Subseries, MTA, the Remarketing Agent, the Tender Agent, the Liquidity Facility Issuer, the Insurer and the Trustee.

### **Changes in Mode**

***General.*** Any Series 2004D Bonds may be changed to any other Mode at the times and in the manner as summarized below.

***Notice of Intention to Change Mode.*** MTA shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (the Current Mode) to another Mode (the New Mode) specified in such written notice, together with the proposed effective date of that change in the Mode (the Mode Change Date). The notice shall be given at least 20 days prior to the Mode Change Date.

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

1. The Mode Change Date must be a Business Day.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 11:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
  - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
  - unless the existing Tender Agency Agreement and Remarketing Agreement is effective on the Mode Change Date, a Tender Agency Agreement and a Remarketing Agreement if required for the New Mode, and
  - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2004D Bonds of the Subseries tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof.
4. If all conditions to the Mode change are met, the interest period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent.

5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2004D Bonds of a Subseries that are the subject of the Mode change:
  - will not be subject to mandatory tender for purchase, and
  - will continue to be in the Weekly Mode.

#### **Tender, Presentation and Purchase Provisions of the Series 2004D Bonds During the Weekly Mode**

***Purchase on Demand of Owners of Series 2004D Bonds in Weekly Mode.*** The Owners of the Series 2004D Bonds that are not Bank Bonds may elect to have such Series 2004D Bonds (or portions thereof in Authorized Denominations) purchased on a Business Day at a price (the Purchase Price) equal to the principal amount so tendered plus accrued interest (if the Purchase Date is not an Interest Payment Date). Owners must deliver a written notice of tender (the Tender Notice), or telephonic notice of tender to the Tender Agent and the Remarketing Agent, promptly confirmed in writing to the Tender Agent and the Remarketing Agent at their respective principal offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. The Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and that tender shall occur on the Purchase Date specified in that Tender Notice. The Tender Agent shall notify the Trustee by the close of business on the next succeeding Business Day of the receipt of any Tender Notice.

During any period that Series 2004D Bonds are registered in the name of DTC or a nominee thereof pursuant to the DTF Resolution,

- any Tender Notice delivered as described in the immediately preceding paragraph shall identify the DTC Participant through whom the beneficial owner will direct transfer,
- on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Series 2004D Bond on the records of DTC, and
- it shall not be necessary for Series 2004D Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2004D Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing that notice of tender is the beneficial owner of Series 2004D Bonds tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of Series 2004D Bonds.

***Mandatory Purchase on any Mode Change Date.*** Except for Bank Bonds, the Series 2004D Bonds to be changed to any Mode from any other Mode are subject to a mandatory tender for purchase on the Mode Change Date at the Purchase Price equal to the principal amount thereof.

***Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date and Substitution Date.*** Except for Bank Bonds, the Series 2004D Bonds are subject to mandatory tender for purchase on:

- the second Business Day preceding the Expiration Date of a Liquidity Facility, which second Business Day is hereinafter referred to as an Expiration Tender Date;
- the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Liquidity Facility, which fifth calendar day is hereinafter referred to as a Termination Tender Date, if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and
- the Substitution Date for a Liquidity Facility.

A “Substitution Date” means:

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

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

Upon receipt of a written notice from the Liquidity Facility Issuer or MTA that the Liquidity Facility supporting the Series 2004D Bonds will terminate or the obligation of the Liquidity Facility Issuer to purchase the Series 2004D Bonds will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2004D Bonds that is to occur on such Termination Tender Date if it has not theretofore received from the Liquidity Facility Issuer or MTA a notice stating that the event which resulted in the Liquidity Facility Issuer or MTA giving a notice of the Termination Date has been cured and that the Liquidity Facility Issuer or MTA has rescinded its election to terminate the Liquidity Facility. Notwithstanding anything to the contrary described below, that notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as described in this paragraph shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

The Trustee shall, at least fifteen (15) days prior to the Substitution Date, give notice of the mandatory tender of the Series 2004D Bonds on the Substitution Date.

The Trustee shall, at least fifteen (15) days prior to any Mode Change Date for the Series 2004D Bonds of a Subseries give notice of the mandatory tender for purchase of the Series 2004D Bonds of such Subseries that is to occur on that date.

Except as provided in the third immediately preceding paragraph, notice of any mandatory tender of Series 2004D Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2004D Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase and specify:

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such Series 2004D Bond, and
- that no further interest will accrue from and after the Mandatory Purchase Date to such Owner.

Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Series 2004D Bonds of a Subseries shall in addition specify the conditions that have to be satisfied pursuant to the DTF Resolution in order for the New Mode to become effective and the consequences that the failure to satisfy any of such conditions would have.

In the event a mandatory tender of Series 2004D Bonds of a Subseries shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any Series 2004D Bond receives the notice, and the failure of

that Owner to receive any such notice shall not affect the validity of the action described in that notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Series 2004D Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

### **Remarketing of Series 2004D Bonds; Notices**

The applicable Remarketing Agent for each Subseries shall offer for sale and use its best efforts to find purchasers for (i) all Series 2004D Bonds of a Subseries or portions thereof as to which a Tender Notice has been given and (ii) all Series 2004D Bonds of a Subseries required to be tendered for purchase. No Series 2004D Bond shall be remarketed (x) to MTA, or any affiliate of MTA, nor shall any Bank Bonds be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Series 2004D Bonds became Bank Bonds, and (y) at a price that is less than the Purchase Price of such Series 2004D Bonds.

Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend remarketing of the Series 2004D Bonds upon the suspension or termination of the Liquidity Facility.

### **Source of Funds for Purchase of Series 2004D Bonds**

On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Series 2004D Bonds of a Subseries, the Tender Agent shall purchase the Series 2004D Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

- immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of Series 2004D Bonds; and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Liquidity Facility.

Notwithstanding the foregoing, MTA shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Series 2004D Bond that is tendered or deemed tendered as described in this official statement and the Purchase Price of which is not paid on the Purchase Date or Mandatory Purchase Date from any of the sources identified above. None of the MTA, the Trustee, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or, except from the sources identified above, make available such Purchase Price. The failure to pay any such Purchase Price for Series 2004D Bonds that have been tendered or deemed tendered for purchase from any of the sources identified above shall not constitute an Event of Default under the DTF Resolution and in the case of that failure those Series 2004D Bonds shall not be purchased and shall remain in the Weekly Mode.

### **Delivery of Remarketed Series 2004D Bonds**

Except as otherwise required or permitted by DTC's book-entry-only system, remarketed Series 2004D Bonds sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Remarketed Bonds by 3:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be.

### **Delivery and Payment for Purchased Series 2004D Bonds; Undelivered Series 2004D Bonds**

As long as the Series 2004D Bonds are registered in the name of DTC or its nominee in DTC's book-entry-only-system, the requirements for all deliveries and payments will be in accordance with DTC's procedures.

Except as otherwise required or permitted by DTC's book-entry-only system, Series 2004D Bonds that are to be tendered shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any Series 2004D Bond purchased pursuant to the optional tender provisions shall be made only if such Series 2004D Bond delivered to the Tender Agent conforms in all respects to the description thereof in the Tender Notice.

Payment of the Purchase Price will be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be, or, if the

Owner has not provided wire transfer instructions, by check mailed to the Owner at the address appearing in the Trustee's books.

If Series 2004D Bonds are not delivered by 12:00 noon, the Tender Agent will hold any funds received for the purchase of the Series 2004D Bonds that are tendered or deemed tendered in trust in a separate account and shall pay such funds upon presentation. Any such amounts shall be held uninvested. Those undelivered Series 2004D Bonds shall be deemed tendered and cease to accrue interest as to the former Owners on the Purchase Date or the Mandatory Purchase Date, as the case may be, and moneys representing the Purchase Price shall be available against delivery of those Series 2004D Bonds at the principal office of the Tender Agent; provided, however, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such Series 2004D Bond not presented for purchase for a period of two years after delivery of those funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by MTA and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to MTA free of any trust or lien and thereafter the former Owner of such Series 2004D 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 2004D Bonds. The Tender Agent shall authenticate a replacement Series 2004D Bond for any undelivered Series 2004D Bond which may then be remarketed by the Remarketing Agent.

### **Redemption Provisions During the Weekly Mode**

The Series 2004D Bonds are redeemable prior to maturity on such dates and at such prices during the Weekly Mode as are set forth below.

***Mandatory Sinking Fund Redemption.*** The Series 2004D Bonds are subject to redemption in part on November 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year set forth below the principal amount of such Series 2004D Bonds specified for each of the years shown below:

<u>Subseries 2004D-1</u>		<u>Subseries 2004D-2</u>	
<u>Payment Date</u> <u>(November 1)</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Payment Date</u> <u>(November 1)</u>	<u>Sinking Fund</u> <u>Installment</u>
2018	\$ 2,900,000	2018	\$1,800,000
2019	7,500,000	2019	5,000,000
2020	7,800,000	2020	5,300,000
2021	8,200,000	2021	5,400,000
2022	8,500,000	2022	5,700,000
2023	8,900,000	2023	5,800,000
2024	9,100,000	2024	6,200,000
2025	9,600,000	2025	6,400,000
2026	10,000,000	2026	6,600,000
2027	10,400,000	2027	6,800,000
2028	10,700,000	2028	7,300,000
2029	11,200,000	2029	7,500,000
2030	11,700,000	2030	7,700,000
2031	12,200,000	2031	8,000,000
2032	12,600,000	2032	8,500,000
2033	13,100,000	2033	8,800,000
2034*	13,600,000	2034*	9,200,000

\* Final maturity

***Credit Toward Mandatory Sinking Fund Redemption.*** Credit toward mandatory sinking fund installment requirements may be made as follows, and if made, will thereafter reduce the amount of Series 2004D Bonds otherwise subject to mandatory sinking fund installments on the date credit is taken:

- If MTA directs the Trustee to purchase Series 2004D Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of Series 2004D Bonds purchased will be made against the next sinking fund installment due.
- If MTA purchases or redeems Series 2004D Bonds with other available moneys, then the principal amount of those Series 2004D Bonds will be credited against future sinking fund installment requirements in any order, and in any annual amount, that the MTA may direct.

**Optional Redemption.** The Series 2004D Bonds are subject to redemption prior to maturity as a whole or in part (in accordance with procedures of DTC, so long as DTC is the Owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper), on any Business Day, subject to applicable notice, at a Redemption Price equal to the principal amount thereof, without premium, plus accrued interest up to but not including the redemption date. If any such optional redemption shall occur, MTA will redeem Bank Bonds first.

**State and City Redemption.** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2004D 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 2004D Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2004D 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 2004D Bonds, as a whole, but only in accordance with the terms upon which the Series 2004D Bonds are otherwise redeemable.

**Redemption of Bank Bonds.** The Bank Bonds shall be subject to optional and mandatory redemption under the same terms and conditions as provided with respect to other Series 2004D Bonds. The Bank Bonds shall also be subject to mandatory redemption at the times and under the terms and conditions as provided in the Liquidity Facility relating to such Bank Bonds.

**Redemption in Part; Bank Bonds To Be Redeemed First.** In the event of a redemption of less than all the Series 2004D Bonds of a Subseries, the Trustee shall in accordance with the DTF Resolution first select for redemption all then outstanding Bank Bonds prior to selecting for redemption any Series 2004D Bonds of such Subseries that are not Bank Bonds unless the Liquidity Facility Issuer shall be in default under the Liquidity Facility, in which case, the Trustee shall at the written direction of MTA, select for redemption all then outstanding Series 2004D Bonds of such Subseries in accordance with such direction.

**Redemption Notices.** So long as DTC is the securities depository for the Series 2004D Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2004D 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 2004D Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

**Redemption Process.** If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2004D 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 2004D Bonds, then on the redemption date the Series 2004D 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 2004D Bonds called for redemption, thereafter, no interest will accrue on those Series 2004D Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2004D Bonds.

## Amendments

The provisions of the DTF Resolution, with respect to the Series 2004D Bonds, may be modified or amended pursuant to the DTF Resolution by obtaining, when required by the DTF Resolution, the consent of the Owners of all Series 2004D Bonds or, in lieu thereof as permitted by the DTF Resolution, the Insurer. All Owners of the Series 2004D Bonds will be deemed to have consented to a modification or amendment if on the 30<sup>th</sup> day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Trustee mailed notice of such proposed modification or amendment to the Owners of the Series 2004D Bonds there is delivered to the Trustee –

- a certificate of the Tender Agent to the effect that all Series 2004D Bonds that have been optionally tendered for purchase by their Owners after the date on which the Trustee mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof,
- a written consent of the Remarketing Agent to the proposed modification or amendment, and
- a favorable Opinion of Bond Counsel.

## Liquidity Facility

**General Description.** The Series 2004D Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2004D Bonds of a Subseries tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2004D Bonds) will be funded only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Liquidity Facility. Although MTA has the option to purchase Subseries 2004D Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer, it is not obligated to do so. See “—Tender, Presentation and Purchase Provisions of the Series 2004D Bonds During the Weekly Mode” and “Source of Funds for Purchase of Series 2004D Bonds” above. See **Attachment 5** – “Initial Liquidity Facility Issuer” for information regarding the Initial Liquidity Facility Issuer.

Subject to certain conditions described below, the Initial Liquidity Facility Issuer will purchase from time to time during the period from the date of delivery of the Series 2004D Bonds to and including December 11, 2007 (unless extended) or earlier termination or suspension of the Initial Liquidity Facility, any Tendered Series 2004D Bonds of the Subseries which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the DTF Resolution. The price to be paid by the Initial Liquidity Facility Issuer pursuant to the Initial Liquidity Facility for purchased Series 2004D Bonds will be equal to the aggregate principal amount of such Series 2004D Bonds plus accrued interest thereon (up to 35 days of interest calculated at an aggregate rate not to exceed 12% per annum based on a year of 365 days), if any, other than defaulted interest, to the date of such purchase. Upon any purchase of Series 2004D Bonds with amounts realized under the Initial Liquidity Facility, the commitment of the Initial Liquidity Facility Issuer to purchase Series 2004D Bonds shall be reduced by the Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2004D Bonds from the Initial Liquidity Facility Issuer, all in accordance with the Initial Liquidity Facility.

The Initial Liquidity Facility does not provide security for the scheduled payment of principal of or interest or premium, if any, on the Series 2004D Bonds, and the funds drawn thereunder may not be used for such purposes.

**AS DESCRIBED BELOW, THE INITIAL LIQUIDITY FACILITY PROVIDES THAT THE OBLIGATION OF THE INITIAL LIQUIDITY FACILITY ISSUER TO PURCHASE SERIES 2004D BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE MAY BE IMMEDIATELY SUSPENDED OR TERMINATED UPON THE OCCURRENCE OF CERTAIN EVENTS WITHOUT NOTICE TO THE OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2004D BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE. FAILURE TO PAY THE PURCHASE PRICE OF SERIES 2004D BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE DTF RESOLUTION.**

***Suspension or Termination Events; Remedies.*** The occurrence of certain “termination events” under the Initial Liquidity Facility may result in a suspension or termination of the Initial Liquidity Facility Issuer’s commitment to purchase Tendered Series 2004D Bonds.

***Immediate Termination Events.*** In the case of the following termination events, the Available Commitment and the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004D Bonds under the Initial Liquidity Facility shall immediately terminate without notice or demand, and thereafter the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2004D Bonds.

1. any principal or interest due on the Series 2004D Bonds is not paid by MTA when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or
2. any material provision of the Insurance Policy relating to the obligation of the Insurer to make payments thereunder at any time for any reason ceases to be valid and binding on the Insurer in accordance with the terms of the Insurance Policy or is declared to be null and void by the New York State Department of Insurance or by a final non-appealable order of a court or other governmental agency of appropriate jurisdiction.

Promptly after the Initial Liquidity Facility Issuer receives written notice of such termination event, the Initial Liquidity Facility Issuer shall give written notice of the same to the Trustee, the Insurer, MTA and the Remarketing Agent; provided, that the Initial Liquidity Facility Issuer shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Initial Liquidity Facility Issuer’s Available Commitment and of its obligation to purchase Tendered Series 2004D Bonds pursuant to the Initial Liquidity Facility.

***Immediate Suspension Events That Become Immediate Termination Events.*** Upon the occurrence and during the continuance of any potential termination event described in paragraph 1 or 2 below, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004D Bonds shall be immediately and automatically suspended, without notice, to MTA, the Trustee, the Tender Agent or the Insurer and the Initial Liquidity Facility Issuer shall be under no further obligation to purchase Tendered Series 2004D Bonds, unless and until the bankruptcy, insolvency or similar proceeding referred to in paragraph 1 or 2 below is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated prior to becoming a termination event, then the Initial Liquidity Facility Issuer’s obligations under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility shall continue in full force and effect (unless the Initial Liquidity Facility shall have otherwise terminated by its terms or there has occurred a termination event described under the heading “***Immediate Termination Events***” above) as if there had been no such suspension of the Initial Liquidity Facility Issuer’s obligations to purchase Tendered Series 2004D Bonds.

1. a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding or the Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Insurer shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry or an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or
2. the Insurer shall default in any payment or payments of amounts payable by it under any insurance policies insuring any publicly rated securities (other than the Insurance Policy) when due, and such default shall continue for a period of ten (10) days after a demand for payment made in accordance

with the terms of such insurance policy, unless the obligation of the Insurer to pay is being contested by the Insurer in good faith by appropriate proceedings.

***Additional Immediate Suspension Event.*** In the event that the validity or enforceability of the Insurance Policy is contested by the Insurer in writing or any governmental agency or authority, or the Insurer denies in writing that it has any or further liability or obligations under the Insurance Policy, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004D Bonds under the Initial Liquidity Facility shall be immediately and automatically suspended, without notice, and the Initial Liquidity Facility Issuer shall be under no further obligation under the Initial Liquidity Facility to purchase Tendered Series 2004D Bonds until a final nonappealable order of a court having jurisdiction in the premises shall be entered declaring that the Insurance Policy and the obligations of the Insurer thereunder are upheld in their entirety. In the event such final nonappealable order is entered declaring the Insurance Policy null and void, or declaring that the Insurer does not have any further liability or obligation under the Insurance Policy, then the Initial Liquidity Facility Issuer's obligation to purchase Tendered Series 2004D Bonds shall immediately terminate. In the event such order is entered declaring that the Insurance Policy is and the obligations of the Insurer thereunder are upheld in its entirety, the Initial Liquidity Facility Issuer's obligations under the Initial Liquidity Facility to purchase Tendered Series 2004D Bonds shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise be terminated by its terms or there has occurred and is continuing an event causing the suspension of the Initial Liquidity Facility Issuer's obligations to purchase Tendered 2004D Bonds pursuant to this paragraph) as if there has been no such suspension. Notwithstanding the foregoing, if, upon the earlier of the (1) date when the Initial Liquidity Facility Issuer's obligations to purchase Tendered Series 2004D Bonds terminates in accordance with the terms of the Initial Liquidity Facility, (2) an immediate termination date, or (3) date that is two (2) years after the effective date of suspension of the Initial Liquidity Facility Issuer's obligations in accordance with the immediate suspension event, litigation is still pending and a judgment regarding the validity of the entire Insurance Policy has not been obtained, then the Available Commitment and the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004D Bonds shall at such time terminate without notice or demand and, thereafter, the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2004D Bonds.

***Termination Events With Notice.*** In the case of the following termination events, the Initial Liquidity Facility Issuer may terminate the Available Commitment by giving written notice of such termination event (a termination notice) to MTA, the Trustee, the Tender Agent and the Insurer, specifying the date on which the Available Commitment shall terminate (the termination date), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee and, on and after the termination date, the Initial Liquidity Facility Issuer shall be under no further obligation to purchase Tendered Series 2004D Bonds other than Tendered Series 2004D Bonds that are the subject of a notice of purchase received by the Initial Liquidity Facility Issuer prior to the termination date, and MTA shall forthwith, upon written request of the Initial Liquidity Facility Issuer, use its best efforts (taking into account current market conditions) to convert all of the Series 2004D Bonds to an Auction Rate Mode, Term Rate Mode or a Fixed Rate Mode in accordance with the DTF Resolution.

1. (i) MTA shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or (ii) a case or other proceeding shall be commenced against MTA in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of MTA, or of all or a substantial part of its property, and any such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against MTA (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered; or

2. any material provision of the DTF Resolution shall cease to be a valid and binding agreement of MTA or MTA shall contest the enforceability or validity thereof; or
3. any representation or warranty made by MTA under or in connection with the Initial Liquidity Facility or any of the Related Documents (as defined in the Initial Liquidity Facility) shall prove to be untrue in any material respect on the date as of which it was made; or
4. nonpayment of certain commitment fees payable to the Initial Liquidity Facility Issuer under the Initial Liquidity Facility within ten (10) Business Days after the Trustee, the Insurer and MTA have received written notice from the Initial Liquidity Facility Issuer that the same were not paid when due; or
5. nonpayment of certain other fees or amounts when due under the Initial Liquidity Facility, if such failure to pay when due shall continue for ten (10) Business Days after written notice thereof to the Trustee, MTA and the Insurer by the Initial Liquidity Issuer; or
6. the breach by MTA of certain of the terms or provisions of the Initial Liquidity Facility; or
7. the breach by MTA of any of the other terms or provisions of the Initial Liquidity Facility which is not remedied within thirty (30) days after written notice thereof shall have been received by MTA from the Initial Liquidity Facility Issuer; or
8. a downgrade in the rating of the Insurer to or below "Aa3" (or its equivalent), in the case of Moody's, "AA-" (or its equivalent), in the case of S&P, and "AA-" (or its equivalent), in the case of Fitch, or the suspension or withdrawal of the ratings of the Insurer's claims-paying ability by Moody's, S&P and Fitch, in each case for a period of five (5) consecutive Business Days; or
9. any "event of default" shall have occurred and be continuing under the DTF Resolution and the applicable cure period shall have elapsed.

See "—Tender, Presentation and Purchase Provisions of the Series 2004D Bonds During the Weekly Mode," "—Remarketing of Series 2004D Bonds; Notices," and "—Sources of Funds for Purchase of Series 2004D Bonds" above.

## **Bond Insurance**

**General.** The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to **Attachment 4** for a specimen of the Insurer's financial guaranty insurance policy. MTA has granted to the Insurer certain rights authorized under Section A-202 of the DTF Resolution, including the right to be deemed the sole owner of the Series 2004D Bonds whenever the approval, consent or action of the owners is required. See "Definitions and Summary of Certain Provisions of the Standard Resolution Provisions" included by specific cross-reference herein.

Payment of the principal of and interest when due on the Series 2004D Bonds (but not Purchase Price) will be insured by the Insurance Policy issued by the Insurer simultaneously with the issuance of the Series 2004D Bonds.

**Payment Pursuant to Financial Guaranty Insurance Policy.** The Insurer has made a commitment to issue the Insurance Policy relating to the Series 2004D Bonds effective as of the date of issuance of the Series 2004D Bonds. Under the terms of the Insurance Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the Insurance Trustee) that portion of the principal of and interest on the Series 2004D Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2004D Bonds and, once issued, cannot be canceled by the Insurer.

The Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2004D Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2004D Bonds, the Insurer will remain obligated to pay principal of and interest on outstanding Series 2004D Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2004D Bonds, the insured

payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal or interest on a Series 2004D Bond which has become Due for Payment and which is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Insurance Policy does not insure any risk other than Nonpayment, as defined in the Insurance Policy. Specifically, the Insurance Policy does not cover:

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

If it becomes necessary to call upon the Insurance Policy, payment of principal requires surrender of the Series 2004D Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2004D Bonds to be registered in the name of the Insurer to the extent of the payment under the Insurance Policy. Payment of interest pursuant to the Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering holder's rights to payment.

The Insurance Policy does not insure against loss relating to payments of the purchase price of Series 2004D Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of the Series 2004D Bonds upon tender by a registered owner thereof.

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

**Ambac Assurance Corporation.** The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,069,000,000 (unaudited) and statutory capital of approximately \$5,015,000,000 (unaudited) as of September 30, 2004. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2004D Bonds.

The Insurer makes no representation regarding the Series 2004D Bonds or the advisability of investing in the Series 2004D Bonds and makes no representation regarding, nor has it participated in the preparation of, the official statement other than the information supplied by the Insurer under this caption "Bond Insurance" and in **Attachment 4**.

**Available Information.** The parent company of the Insurer, Ambac Financial Group, Inc. (the Company), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). These reports, proxy statements and other information can be read and copied at

the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the NYSE), 20 Broad Street, New York, New York 10005.

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

***Incorporation of Certain Documents by Reference.*** The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this official statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;
7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004; and
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 and filed on November 9, 2004.

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

#### **Debt Service on the Dedicated Tax Fund Bonds**

**Table 1** sets forth, on a cash basis for each State fiscal year ending March 31, the (i) debt service on the outstanding DTF Bonds, (ii) debt service on the Series 2004D Bonds, (iii) debt service on the Series 2004C Bonds, and (iv) debt service on all Bonds outstanding under the DTF Resolution after issuance of the Series 2004C and Series 2004D Bonds.

**Table 1**

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

Year Ending March 31 <sup>(3)</sup>	Outstanding Bonds <sup>(4)</sup>	Series 2004D Bonds <sup>(2)</sup>			Series 2004C Bonds <sup>(5)</sup>	Aggregate Debt Service <sup>(6)</sup>
		Principal	Interest	Total		
2005	\$169,090	\$ -0-	\$ 2,144	\$ 2,144	\$ -0-	\$171,234
2006	186,363	-0-	11,200	11,200	12,203	209,766
2007	186,348	-0-	11,200	11,200	12,204	209,752
2008	186,576	-0-	11,289	11,289	12,115	209,980
2009	186,319	-0-	11,141	11,141	12,264	209,724
2010	186,626	-0-	11,169	11,169	12,235	210,030
2011	186,429	-0-	11,200	11,200	12,207	209,836
2012	186,398	-0-	11,228	11,228	12,178	209,804
2013	186,295	-0-	11,172	11,172	12,235	209,702
2014	186,448	-0-	11,261	11,261	12,142	209,852
2015	185,839	-0-	11,169	11,169	12,236	209,245
2016	186,013	-0-	11,198	11,198	12,209	209,420
2017	186,348	-0-	11,172	11,172	12,235	209,755
2018	186,234	-0-	11,200	11,200	12,205	209,639
2019	186,375	4,700	11,138	15,838	7,564	209,778
2020	186,148	12,500	10,903	23,403	-0-	209,551
2021	186,245	13,100	10,286	23,386	-0-	209,631
2022	186,449	13,600	9,809	23,409	-0-	209,858
2023	186,622	14,200	9,257	23,457	-0-	210,079
2024	187,603	14,700	8,704	23,404	-0-	211,007
2025	187,593	15,300	8,108	23,408	-0-	211,001
2026	187,602	16,000	7,446	23,446	-0-	211,048
2027	187,603	16,600	6,800	23,400	-0-	211,003
2028	187,612	17,200	6,160	23,360	-0-	210,972
2029	187,610	18,000	5,433	23,433	-0-	211,043
2030	187,614	18,700	4,718	23,418	-0-	211,032
2031	187,588	19,400	3,980	23,380	-0-	210,968
2032	187,613	20,200	3,167	23,367	-0-	210,980
2033	187,592	21,100	2,348	23,448	-0-	211,040
2034	44,642	21,900	1,500	23,400	-0-	68,042
2035	-0-	22,800	612	23,412	-0-	23,412
<b>TOTAL</b>	<b><u>\$5,443,837</u></b>	<b><u>\$280,000</u></b>	<b><u>\$258,112</u></b>	<b><u>\$538,115</u></b>	<b><u>\$166,232</u></b>	<b><u>\$6,148,184</u></b>

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

<sup>(2)</sup> Assumes interest at a rate of 4.00% per annum.

<sup>(3)</sup> Based on the State's fiscal year ending March 31.

<sup>(4)</sup> Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap relating thereto, and 4.00% thereafter. Assumes interest at a rate of 4.00% per annum on the Series 2004B Bonds.

<sup>(5)</sup> Based on a bond purchase agreement signed on December 15, 2004, between MTA and Lehman Brothers Inc., as representative of the underwriters, relating to \$120 million aggregate principal amount of Series 2004C Bonds.

<sup>(6)</sup> Includes the assumptions set forth in footnotes 1 through 5.

## PART II. MTA DEDICATED TAX FUND BONDS

*Part II* of this official statement describes the sources of payment and security structure for all MTA Dedicated Tax Fund Bonds, including the Series 2004D Bonds.

### SOURCES OF PAYMENT

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

#### Revenues from Dedicated Taxes

*MTA Revenues from PBT, Motor Fuel Tax and Motor Vehicle Fees (MTTF Receipts)*. In 1991, as part of a program to address the need for continued capital investment in the State's transportation infrastructure, the State Legislature established a State fund, called the PBT Dedicated Tax Funds Pool, from which money is apportioned by statutory allocation under current State Tax Law to a State fund, called the Dedicated Mass Transportation Trust Fund (MTTF). Currently, portions of the following taxes and fees are deposited into the PBT Dedicated Tax Funds Pool, of which 34% is allocated to the MTTF for the benefit of the MTA:

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

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

- Motor fuel taxes on gasoline and diesel fuel.
- Certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees.

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

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

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

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

Starting in 1980, in response to anticipated operating deficits of State mass transportation systems, the State Legislature enacted a series of taxes, portions of the proceeds of which have been and are to be deposited in a special State Fund – the *Mass Transportation Operating Assistance Fund* – to fund the operations of mass transportation systems. The Metropolitan Mass Transportation Operating Assistance Account, or MMTOA Account, was established in that State Fund to support operating expenses of transportation systems in the Transportation District, including the Transit Authority, MaBSTOA and the commuter railroads operated by MTA’s subsidiaries, LIRR and MNCRC. After payment of Section 18-b general operating assistance to the various transportation systems, MTA gets approximately 90% of the moneys deposited in the MMTOA Account, with the remaining 10% available to other transportation properties within the MTA Commuter Transportation District, such as MSBA and the City private franchise bus lines.

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

- **MMTOA PBT.** The products that are subject to the tax, the tax rates, and the transactions excluded from the tax are identical to those of the basic PBT tax dedicated to the PBT Dedicated Funds Pool and the MTTF Account in that Pool. Pursuant to State law, of the remaining 19.7% of the PBT Basic Tax that is not deposited to the PBT Dedicated Tax Funds Pool, 55% (or 10.835% of the PBT Basic Tax collections) is deposited in the MMTOA Account.
- **District Sales Tax.** The District Sales Tax consists of a one-quarter of one percent (1/4%) sales and compensating use tax imposed on sales and uses of certain tangible personal property and services applicable only within MTA’s transportation district.
- **Franchise Taxes.** Also deposited in the MMTOA Account is a legislatively-allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies) —
  - o an annual franchise tax based on the amount of the taxpayer’s issued capital stock, and
  - o an annual franchise tax on the taxpayer’s gross earnings from all sources calculated to be in the State pursuant to statutory formulae.
- **Temporary Franchise Surcharges.** The Temporary Franchise Surcharges are imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within MTA’s transportation district. In accordance with State Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as taxes are received.

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

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

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

**Table 2**

<u>Dedicated Taxes (\$ millions)</u>	<u>State Fiscal Year ending March 31,</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005<sup>(6)</sup></u>
<b>MTTF</b>					
PBT	\$ 264.1	\$ 298.8	\$ 306.6	\$ 313.2	\$ 316.5
Motor Fuel Tax	53.4	56.7	63.0	96.6	97.0
Motor Vehicle Fees	-0-	25.5	69.6	96.1	122.4
<b>Total Available MTTF Taxes<sup>(1)</sup></b>	<u>\$ 317.5</u>	<u>\$ 381.0</u>	<u>\$ 439.2</u>	<u>\$ 505.9</u>	<u>\$ 535.9</u>
<b>MTTF Receipts<sup>(2)</sup></b>	\$ 314.9	\$ 373.4	\$ 450.2	\$ 495.2	\$ 535.9
<b>MMTOA</b>					
PBT	\$ 59.5	\$ 68.1	\$ 66.3	\$ 72.2	\$ 71.9
District Sales Tax	368.2	364.7	361.9	399.3	415.3
Franchise Taxes	70.1	82.9	71.1	57.4	71.2
Temporary Franchise Surcharges	563.2	483.4	509.4	484.2	539.0
<b>Total Available MMTOA Taxes<sup>(3)</sup></b>	<u>\$1,061.0</u>	<u>\$ 999.1</u>	<u>\$1,008.7</u>	<u>\$1,013.1</u>	<u>\$1,097.4</u>
<b>MMTOA Receipts<sup>(4)</sup></b>	\$ 755.2	\$ 755.2	\$ 861.5	\$ 730.9	\$ 736.4
<b>Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)</b>	<u>\$1,070.1</u>	<u>\$1,128.6</u>	<u>\$1,311.7</u>	<u>\$1,226.1</u>	<u>\$1,272.3</u>
<b>Debt Service<sup>(5)</sup></b>	\$ 106.9	\$ 106.8	\$ 59.7	\$ 141.9	\$ 171.2
<b>Debt Service Coverage Ratio – MTTF Receipts Only</b>	2.95x	3.50x	7.54x	3.49x	3.13x
<b>Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts</b>	10.01x	10.57x	21.97x	8.64x	7.43x

(1) Represents the amount of MTTF taxes collected by the State that was deposited into the Dedicated Mass Transportation Trust Fund, or MTTF.

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

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

(4) Represents the amount in the MMTOA Account that was, subject to appropriation, requested by, and paid to, MTA for deposit into the MTA Dedicated Tax Fund, thereby becoming MMTOA Receipts. The difference between Total Available MMTOA Taxes and MMTOA Receipts generally represents the amount appropriated for operating expenses of the various non-MTA systems in the Transportation District, as well as \$161.1 million per year appropriated to MTA and other transportation agencies, primarily in accordance with the Section 18-b Program as described in Appendix A under the caption "REVENUES OF THE RELATED ENTITIES – State and Local General Operating Subsidies."

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

(6) Revenue projections as estimated by the New York State Division of the Budget; Debt Service estimate and Debt Service Coverage Ratios as projected by MTA.

In order to assist MTA in balancing its budgets for calendar year 2002, the State advanced the payment of a fifth quarter of MMTOA Receipts scheduled for the first quarter of calendar year 2003 into the fourth quarter of calendar year 2002 (approximately \$231.6 million) . Currently, MTA receives the equivalent of four quarters of MMTOA Receipts each year, with the first quarter of each succeeding calendar year's receipts similarly advanced. This results in little or no MMTOA Receipts being received during the first quarter of each calendar year; the MTA has made other provisions to provide for cash liquidity during this period. There has been no change in the timing of the State's payment of, or MTA's receipt of, MTTF Receipts, which MTA anticipates will be sufficient to make monthly principal and interest deposits into the Debt Service Fund.

### **Factors Affecting Revenues from Dedicated Taxes**

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

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

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

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

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

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

### **SECURITY STRUCTURE**

The Dedicated Tax Fund Bonds are MTA's special obligations payable as to principal, redemption premium, if any, and interest solely from the security, sources of payment and funds specified in the MTA's "Dedicated Tax Fund Obligation Resolution," which includes the Standard Resolution Provisions, adopted on

March 26, 2002 (referred to herein, as amended or supplemented from time to time, as the “DTF Resolution”). Payment of principal of or interest on the Bonds may not be accelerated in the event of a default.

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

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

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

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

### **The Pledge Effected by the DTF Resolution**

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

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

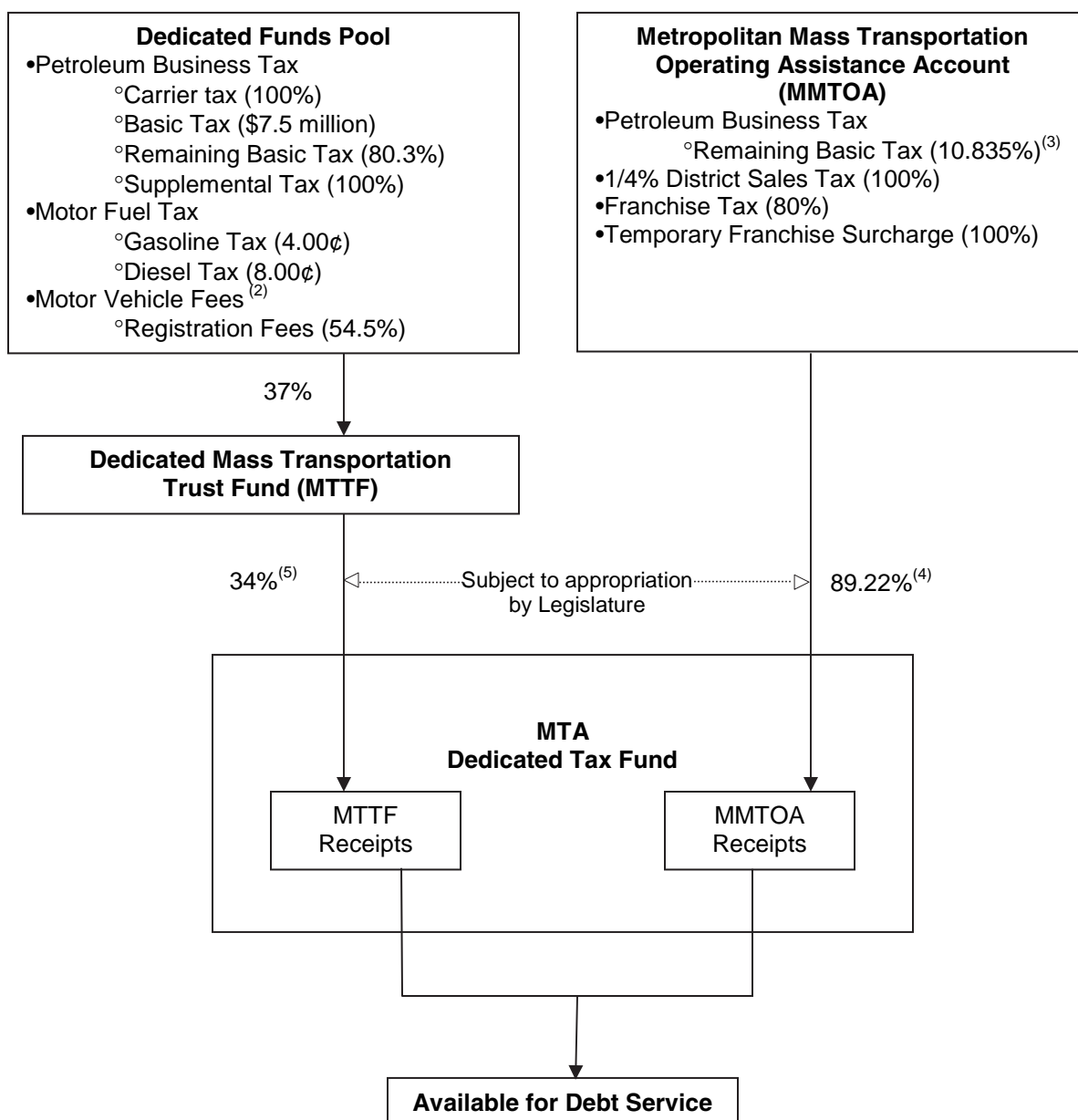
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and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

### **Flow of Funds**

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

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

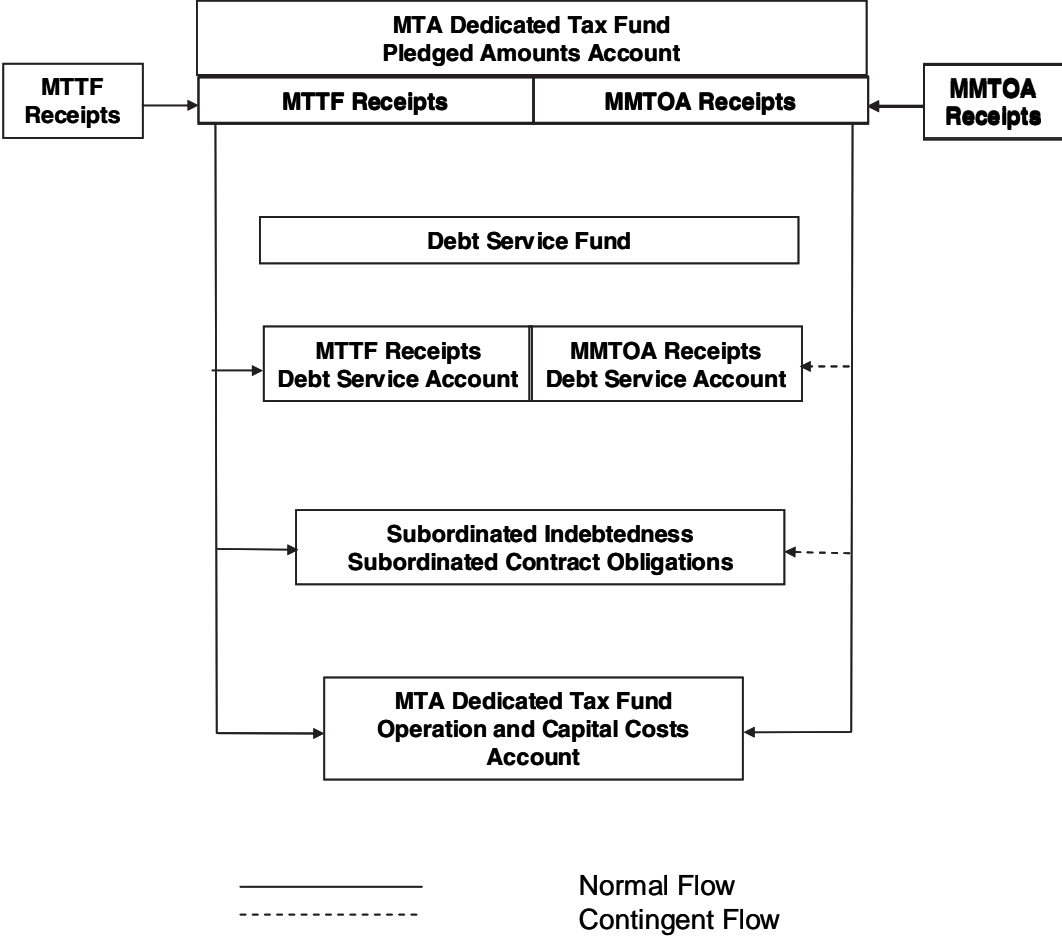
## MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE (Through March 31, 2005<sup>(1)</sup>)



### Notes

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount of that tax or fund estimated to be deposited for the year ended March 31, 2005 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) In accordance with legislation enacted with the 2000-01 Enacted Budget, additional non-registration Motor Vehicle Fees are to be deposited into Dedicated Funds Pool in amounts equal to \$67.9 million and \$170.1 million for State Fiscal Years 2003-04 and 2004-05, respectively.
- (3) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in an account for certain upstate transportation entities.
- (4) Percentage based on payments made in State Fiscal Year 2000-2001.
- (5) Percentage of Dedicated Funds Pool.

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



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

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

## Debt Service Fund

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

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

## Covenants

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

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

Such certificate must set forth:

- (A) for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate: (i) MTTF Receipts, (ii) MMTOA Receipts, and (iii) investment income received during such period on amounts on deposit in the Pledged Amounts Account, the MTTF Receipts Subaccount, the MMTOA Receipts Subaccount and the Debt Service Fund; and
- (B) the greatest amount for the then current or any future Debt Service Year of the sum of
  - (a) Calculated Debt Service on all Outstanding Obligations, including the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations, but excluding any Obligations or Parity Debt to be refunded with the proceeds of such Refunding Obligations, plus (b) additional amounts, if any, payable with respect to Parity Debt; and then state:
    - (x) that the sum of the MTTF Receipts and investment income (other than investment income on the MMTOA Receipts Subaccount) set forth in clause (A) above is not less than 1.35 times the amount set forth in accordance with clause (B) above and
    - (y) that the sum of the MTTF Receipts, MMTOA Receipts and investment income set forth in clause (A) above is not less than 2.5 times the amount set forth in clause (B) above.

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

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

## **Parity Debt**

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

## **Appropriation by the Legislature**

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

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

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2004-05 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year that ends March 31, 2005 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2006. The appropriation for the 2004-05 State Fiscal Year took effect on April 1, 2004. MTA has periodically availed itself of such prior year's appropriation to meet operating costs in response to delays in the adoption of the State budget in such years.

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

## **Agreement of the State**

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

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

### **PART III. OTHER INFORMATION ABOUT THE SERIES 2004D BONDS**

*Part III* of this official statement provides miscellaneous additional information relating to the Series 2004D Bonds.

#### **TAX MATTERS**

Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2004D 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 2004D 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 2004D Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2004D Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2004D Bonds that MTA must continue to meet after the Series 2004D Bonds are issued. These requirements generally involve the way that Series 2004D Bond proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2004D 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 2004D 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 2004D Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2004D Bonds or affect the market price of the Series 2004D Bonds. For example, the Internal Revenue Code could be changed.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2004D Bonds, or under State, local or foreign tax law.

## LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2004D 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 2004D Bonds.

## LITIGATION

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

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the Transit Authority, LIRR, MNCRC and TBTA. Certain of these claims and actions, either individually or in the aggregate, are potentially material to MTA, its affiliates or subsidiaries. MTA does not believe that any of these claims or actions would affect the application of the sources of payment for the Series 2004D Bonds. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** – “THE RELATED ENTITIES – Litigation.”

## FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2004D Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2004D Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor’s fees for serving as financial advisor is contingent upon the issuance of the Series 2004D Bonds.

## UNDERWRITING

The Underwriters for the Series 2004D Bonds, acting through Lehman Brothers Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2004D Bonds described on the cover page of this official statement at an aggregate purchase price of \$279,527,689.34, reflecting an Underwriters’ discount of \$472,310.66, and to reoffer such Series 2004D Bonds at par.

The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2004D Bonds if any Series 2004D Bonds are purchased.



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## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2004D Bonds. The Series 2004D 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 2004D Bond will be issued for each maturity of the Series 2004D 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 2004D 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 two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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).

3. Purchases of Series 2004D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004D 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 2004D 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 2004D Bonds, except in the event that use of the book-entry system for the Series 2004D Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2004D 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 2004D 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 2004D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004D 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 2004D Bonds may wish to take certain steps to augment the transmission

to them of notices of significant events with respect to the Series 2004D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2004D Bond documents. For example, Beneficial Owners of the Series 2004D Bonds may wish to ascertain that the nominee holding the Series 2004D 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 2004D 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 2004D 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 2004D 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 2004D 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 detail information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Series 2004D Bonds purchased or tendered, through its Participant, to the Tender/Remarketing Agent, and shall effect delivery of such Series 2004D Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2004D Bonds, on DTC's records, to the Tender/Remarketing Agent. The requirement for physical delivery of Series 2004D Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2004D Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2004D Bonds to the Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2004D 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 2004D Bonds are required to be printed and delivered.

11. MTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2004D Bonds will be printed and delivered

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

## ATTACHMENT 2

### DEFINITIONS

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

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

**Auction Rate Mode** means the mode during which any Series 2004D Bonds bear interest at an auction rate.

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

**Bank Bond** means any Series 2004D Bond during any period commencing on the day such Series 2004D Bond is owned by or held on behalf of the Liquidity Facility Issuer or its permitted assignee as a result of such Series 2004D Bond having been purchased pursuant to the DTF Resolution from the proceeds of a draw under the Liquidity Facility and ending when such Series 2004D Bond is, pursuant to the provisions of the Liquidity Facility, no longer deemed to be a Bank Bond.

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

**Commercial Paper Mode** means the mode during which Series 2004D Bonds bear interest at a commercial paper rate or rates.

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

**Daily Mode** means the mode during which Series 2004D Bonds bear interest at a daily rate.

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

**Expiration Date** means the stated expiration date of the Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Series 2004D Bonds bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

**Favorable Opinion of Bond Counsel** means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel's Opinion to the effect that such action is permitted under the Issuer Act and the DTF Resolution and that such action will not impair the exclusion of interest on such Series 2004D Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Series 2004D Bonds).

**Fixed Rate Mode** means the mode during which Series 2004D Bonds bear interest at a fixed rate until their maturity date.

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

**Interest Period** means the period of time that any interest rate remains in effect, which period shall be the period from and including the date of the delivery of the Series 2004D Bonds to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the maturity date.

**Liquidity Facility** means any Credit Facility which is obtained by MTA pursuant to the DTF Resolution and that provides for the payment of the Purchase Price of Series 2004D Bonds tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time. Each Initial Liquidity Facility constitutes a Liquidity Facility.

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

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

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

**Mode Change Date** means the date one Mode terminates and another Mode begins.

**Notice Parties** means MTA, the Trustee, the Remarketing Agent, the Tender Agent, the Insurer and the Liquidity Facility Issuer.

**Purchase Date** means any Business Day upon which a Series 2004D Bond is optionally tendered for purchase by its holder in accordance with the DTF Resolution.

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

**Remarketing Agent** means Lehman Brothers Inc. with respect to the Subseries 2004D-1 Bonds and J.P. Morgan Securities Inc. with respect to the Subseries 2004D-2 Bonds, or any successor Remarketing Agents.

**Remarketing Agreement** means the remarketing agreement entered into by and between MTA and either of the Remarketing Agents with respect to the Series 2004D Bonds pursuant to which the Remarketing Agents have each agreed to remarket the Series 2004D Bonds on the Purchase Date or the Mandatory Purchase Date at a price of not less than 100% of the principal amount thereof.

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

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

**Term Rate Mode** means the mode during which Series 2004D Bonds bear interest at a fixed rate until the next mandatory purchase date.

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

**ATTACHMENT 3**

**FORM OF OPINION OF BOND COUNSEL**

**Upon delivery of the Series 2004D Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:**

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$280,000,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Variable Rate Bonds, Series 2004D (the "Series 2004D Bonds").

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

The Series 2004D Bonds are issued under and pursuant to the Constitution and statutes of the State of New York (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "Dedicated Tax Fund Obligation Resolution", as supplemented by a resolution of said members adopted on July 29, 2004 (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 2004D Bonds in order that interest on the Series 2004D Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2004D Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2004D Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2004D Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2004D Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2004D Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2004D Bonds from gross income for federal income tax purposes under Section 103 of the Code and compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2004D Bonds as executed and, in our opinion, the form of said Series 2004D Bond and its execution are regular and proper.

We are of the opinion that:

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

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

3. The Series 2004D 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 2004D 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 2004D Bonds.

4. The MTA, the holders of the Series 2004D Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2004D 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 2004D Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2004D 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 2004D 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 2004D Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2004D 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 2004D Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

Very truly yours,

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**ATTACHMENT 4**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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# Financial Guaranty Insurance Policy

Ambac Assurance Corporation  
One State Street Plaza, 15th Floor  
New York, New York 10004  
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

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

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

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

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

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

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

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

President



Secretary

Effective Date:

Authorized Representative

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

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

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

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

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

### Ambac Assurance Corporation



President



Secretary

Authorized Representative

## ATTACHMENT 5

### INITIAL LIQUIDITY FACILITY ISSUER

*The following information has been provided by Wachovia Bank, National Association (the Bank) for use in this official statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the MTA, the Underwriters or any of their counsel. This information has not been independently verified by the MTA, the Underwriters or any of their counsel. No representation is made by the MTA, the Underwriters or any of their counsel as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

The Bank is a subsidiary of Wachovia Corporation (the Corporation), whose principal office is located in Charlotte, North Carolina. The Corporation is the fifth largest bank holding company in the United States based on approximately \$437 billion in total assets as of September 30, 2004.

The Bank is a national banking association and is subject to examination and primary regulation by the Office of the Comptroller of the Currency of the United States. The Bank is a commercial bank offering a wide range of banking, trust and other services to its customers. As of September 30, 2004, the Bank had total assets of approximately \$380 billion, total net loans of approximately \$172 billion, total deposits of approximately \$263 billion and equity capital of approximately \$32.3 billion.

The Bank submits quarterly to the Federal Deposit Insurance Corporation (the FDIC) a Consolidated Report of Condition and Income for a Bank With Domestic and Foreign Offices (each, a Call Report, and collectively, the Call Reports). The publicly available portions of the Call Reports with respect to the Bank (and its predecessor banks) are on file with the FDIC, and copies of such portions of the Call Reports may be obtained from the FDIC, Public Information Center, 801 17<sup>th</sup> Street, NW, Room 100, Washington, DC 20434, (877) 275-3342, at prescribed rates. In addition, such portions of the Call Reports are available to the public free of charge at the FDIC's web site at <http://www.fdic.gov>.

The Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the Commission). Such documents can be read and copied at the Commission's public reference room in Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. In addition, such documents are available to the public free of charge at the SEC's web site at <http://www.sec.gov>. Reports, documents and other information about the Corporation also can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

Upon request, the Bank will provide at no cost to any person to whom this official statement is delivered copies of the most recent Wachovia Corporation Annual Report to Shareholders, the publicly available portion of the most recent Call Report that the Bank has filed with the FDIC and the Corporation's most recent periodic reports under the Securities Exchange Act of 1934 on Form 10-K and Form 10-Q and any Current Report on Form 8-K subsequent to its most recent report on Form 10-K. Copies of these documents may be requested by writing to or telephoning the Bank at the following address and telephone number: Wachovia Corporation, Investor Relations, 301 South College Street, Charlotte, NC 28288-0206, (704) 374-6782.

The information contained in this Appendix relates to and has been obtained from the Bank. The information concerning the Bank contained herein is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Such information regarding the Bank is qualified in its entirety by the detailed information appearing in the documents referenced above.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained in this section is correct as of any time subsequent to its date.

**THE INITIAL LIQUIDITY FACILITY IS AN OBLIGATION OF THE BANK AND IS NOT AN OBLIGATION OF THE CORPORATION. NO BANKING OR OTHER AFFILIATE CONTROLLED BY THE CORPORATION, EXCEPT THE BANK, IS OBLIGATED TO MAKE PAYMENTS UNDER THE INITIAL LIQUIDITY FACILITY.**

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