

## OFFERING MEMORANDUM

**BOOK-ENTRY-ONLY**

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

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



# **\$750,000,000**

## **Metropolitan Transportation Authority**

### **Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced**

**\$500,000,000 Subseries A**

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

The Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes") offered hereby are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the "Resolution"), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of up to \$750 million aggregate principal amount of the Notes.

The Notes are being issued initially to refinance outstanding bond anticipation notes of MTA.

In connection with the issuance of the Notes, MTA will enter into a Letter of Credit and Reimbursement Agreement with ABN AMRO Bank N.V. (the "Bank"), pursuant to which the Bank will issue in favor of the Issuing and Paying Agent an irrevocable direct pay Letter of Credit for a stated amount of \$768,750,000 in order to pay principal and interest (calculated at the average rate of 10% per annum for a period of 90 days) due on the Notes as provided therein.

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

**The Notes are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon. MTA has no taxing power.**

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

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Notes. Investors are advised to read the entire Offering Memorandum, including any portion hereof included by specific reference, to obtain information essential to the making of an informed decision.

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

**MORGAN STANLEY**  
*(Subseries B)*

June 12, 2002

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# Metropolitan Transportation Authority

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New York, New York 10017  
(212) 878-7000  
Website: [www.mta.info](http://www.mta.info)

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David S. Mack ..... *Vice-Chairman*  
Ronnie P. Ackman ..... *Non-Voting Member*  
Nancy Shevell Blakeman ..... *Member*  
Anthony J. Bottalico ..... *Non-Voting Member*  
Kenneth A. Caruso ..... *Member*  
Thomas J. Cassano ..... *Non-Voting Member*  
Beverly L. Dolinsky ..... *Non-Voting Member*  
Edward B. Dunn ..... *Member*  
Barry Feinstein ..... *Member*  
Alan B. Friedberg ..... *Member*  
Lawrence W. Gamache ..... *Member*  
James H. Harding, Jr. .... *Member*  
Robert M. Harding ..... *Member*  
James L. McGovern ..... *Non-Voting Member*  
Joseph Rutigliano ..... *Non-Voting Member*  
Ernest J. Salerno ..... *Member*  
Andrew M. Saul ..... *Member*  
James L. Sedore, Jr ..... *Member*  
James S. Simpson ..... *Member*  
Edward A. Vrooman ..... *Member*  
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New York, New York  
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**Attachment 2**– Book-Entry-Only System

**Attachment 3**– Form of Opinion of Bond Counsel

**Information Included by Specific Reference.** The following portions of MTA’s 2002 Combined Continuing Disclosure Filings, dated April 19, 2002, and filed with the repositories identified in the Introduction to this offering memorandum are included by specific reference in this offering memorandum, along with material that updates this offering memorandum and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to each delivery date of Notes, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2001 and 2000
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2001 and 2000.

The following documents have also been filed with the repositories identified in the Introduction and are included by specific reference in this offering memorandum:

- Summary of Certain Provisions of the Transportation Revenue Obligations Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- Form of the Interagency Agreement

## OFFERING MEMORANDUM

**\$750,000,000**

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

**\$500,000,000 Subseries A**

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

### 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); and the Metropolitan Suburban Bus Authority (MSBA). 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 2002 Combined Continuing Disclosure Filings, which is included by specific reference in this offering memorandum. Also included in **Appendix A** is a description of the impact on the Related Entities of the terrorist attack on the World Trade Center (WTC).

#### **Where to Find Information**

**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@dpdata.com

***Standard & Poor's J.J. Kenny Repository***

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

***Information Included by Specific Reference.*** The information listed under the caption "Information Included by Specific Reference" in the Table of Contents, as filed with the repositories, is "included by specific reference" in this offering memorandum. In addition, MTA may file information with the repositories after the date of this offering memorandum that is intended to update information contained herein. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this offering memorandum. **This offering memorandum, which includes those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Notes.**

***Information Available at No Cost.*** Information filed with the repositories is also generally 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.

**General**

Bear, Stearns & Co. Inc. has been initially appointed to serve as the dealer for the \$500,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries A (the "Subseries A Notes"), and Morgan Stanley & Co. Incorporated (Bear, Stearns & Co. Inc. and Morgan Stanley & Co. Incorporated being collectively referred to herein as the "Dealers") has been initially appointed to serve as the dealer for the \$250,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries B (the "Subseries B Notes", the Subseries B Notes and the Subseries A Notes being collectively referred to herein as the "Notes"). The Notes are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the "Resolution"), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Notes and Related Parity Debt Supplemental Resolution (the "Commercial Paper Resolution") adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of up to \$750 million aggregate principal amount of Notes.

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

The aggregate principal amount of Notes outstanding at any time may be increased or decreased, provided that at no time may more than \$750 million in aggregate principal amount be outstanding. The Notes will be issued under the Issuing and Paying Agency Agreement, dated as of May 30, 2002 (the "Issuing and Paying Agency Agreement"), between MTA and JPMorgan Chase Bank, acting as Issuing and Paying Agent (the "Issuing and Paying Agent").

## THE NOTES

### Purpose of the Notes

The Notes are being issued initially to refinance \$750 million aggregate principal amount of outstanding bond anticipation notes of MTA. The proceeds of the Notes may thereafter be used to (1) finance the costs of equipment for and improvements to the subway and bus systems operated by the Transit Authority and its subsidiary, MaBSTOA, (2) finance the costs of equipment for and improvements to the commuter rail facilities operated by MTA's subsidiaries, LIRR and MNCRC, (3) pay principal and interest on other outstanding Notes, (4) reimburse ABN AMRO Bank N.V. (the "Bank") for draws on its irrevocable direct pay letter of credit (the "Letter of Credit"), and (5) fund capitalized interest on the Notes.

### Description of the Notes

The Notes will be dated the date of their respective authentication, will be issued as interest-bearing or as discount obligations in denominations of \$100,000 and additional increments of \$1,000 above \$100,000 and, except as described below, will be issued in book-entry-only form through the book-entry system of The Depository Trust Company ("DTC"). See **Attachment 2 – "BOOK-ENTRY ONLY SYSTEM"**. Each Note will bear interest from its date of issuance, at the rate or based upon the discount determined at the date of issuance (which may not exceed 12% per annum) and payable at maturity. The Notes are not callable prior to maturity.

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

## SECURITY FOR THE NOTES

### General

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

**The Notes are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon. MTA has no taxing power.**

MTA expects to pay the principal of and interest on the Notes with the proceeds of draws under the Letter of Credit, and to immediately reimburse the Bank for such draws with the proceeds of the remarketing of additional Notes and other available moneys (in the case of interest) until MTA provides for

permanent financing of the projects initially financed with the proceeds of the Notes either by the issuance of the Series CP-1 Bonds or other long-term bonds issued under the Resolution or with Federal grants.

MTA may substitute another letter of credit for the Letter of Credit, provided the ratings on the Notes are not reduced or withdrawn and MTA provides at least 15 days' prior notice of the substitution thereof to the Noteholders and the Dealers.

### **Letter of Credit and Security for the Bank**

*Letter of Credit.* In connection with the issuance of the Notes, MTA will enter into a Letter of Credit and Reimbursement Agreement with the Bank, pursuant to which the Bank will issue in favor of the Issuing and Paying Agent an irrevocable direct pay Letter of Credit for a stated amount of \$768,750,000 in order to pay principal and interest (calculated at the average rate of 10% per annum for a period of 90 days) due on the Notes as provided therein.

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

*Bank Notes.* Pursuant to the Commercial Paper Resolution, MTA has authorized the issuance of Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Bank Series CP-1 (the “Bank Notes”) in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes to their stated maturity dates in the event the Notes cannot be remarketed. The Bank has agreed to hold the Bank Notes for up to 90 days, at which time, if the Notes still cannot be remarketed, MTA's obligations to the Bank will constitute Bank Parity Debt as hereinafter described. The Bank Notes are payable solely from (i) the moneys and securities (if any) on deposit in the Series CP-1 Bank Reimbursement Fund created under the Commercial Paper Resolution, (ii) the proceeds of Bank Parity Debt, (iii) the proceeds of the Series CP-1 Bonds, and (iv) though not pledged therefor, the proceeds of notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to pay Bank Notes.

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

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

### **LITIGATION**

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

MTA, its affiliates and subsidiaries are defendants in numerous claims and actions. Certain of these claims and actions, either individually or in the aggregate, are potentially material. A summary of certain of these potentially material claims and actions is set forth in see **Appendix A** – “THE RELATED ENTITIES – Litigation”.

## TAX MATTERS

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

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

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

The Internal Revenue Code imposes requirements on the Notes that MTA must continue to meet after the Notes are issued. These requirements generally involve the way that Note proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a noteholder may have to include interest on the Notes in its federal gross income on a retroactive basis to the date of issue. MTA has covenanted to do everything necessary to meet the requirements of the Internal Revenue Code.

A noteholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Notes. This is possible if a noteholder is

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Notes.

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

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

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

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

## **LEGALITY FOR INVESTMENT**

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

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

Certain of those investors, however, may be subject to separate restrictions which limit or prevent their investment in the Notes.

## **APPROVAL OF LEGAL PROCEEDINGS**

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

## **RATINGS**

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

## **ADDITIONAL INFORMATION**

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

**ABN AMRO BANK N.V.**

ABN AMRO Holding N.V. is an international multi-bank holding company, the sole direct subsidiary of which is ABN AMRO Bank N.V. ("ABN AMRO"). ABN AMRO is the result of a merger, effective September 22, 1991, between Algemene Bank Nederland N.V. and Amsterdam-Rotterdam Bank N.V. Prior to the merger, these banks, were, respectively the largest and second-largest banks in The Netherlands. ABN AMRO traces its origin to a Royal Decree of March 29, 1824 and Instrument of Incorporation of February 7, 1825. ABN AMRO offers a wide range of banking products and financial services on a global basis through its network of more than 3,400 offices and branches in 67 countries and territories. It is one of the largest banking groups in the world, with total consolidated assets of 597.4 billion as of December 31, 2001. ABN AMRO is organized into three global Strategic Business Units: Consumer & Commercial Clients, Wholesale Clients, and Private Clients & Asset Management. The Strategic Business Units have a significant presence in ABN AMRO's three "home markets", which are The Netherlands, U.S. and Brazil.

ABN AMRO is one of the three largest foreign banking groups in the United States, based on total assets held in the United States of 110.6 billion, or \$97.3 billion, as of December 31, 2001, and it is the largest foreign bank commercial lender. To support this level of activity, ABN AMRO (including its subsidiaries) has 426 offices and branches and 18, 217 full-time equivalent employees in the United States. Through the LaSalle Banking Group, with \$57.1 billion in assets and 120 branches, and Standard Federal Bancorporation (into which ABN AMRO has merged the Michigan National Bank, which ABN AMRO purchased in 2001), with more than \$38.6 billion in assets and 280 branches, ABN AMRO is the second largest banking group in the Midwestern United States. The mortgage origination and servicing entities of the LaSalle Group and Standard Federal have been integrated and are the sixth largest mortgage originators and the eighth largest mortgage servicers in the United States.

Each branch in the United States is duly licensed by the appropriate banking authority in its respective state and is subject to periodic examination by such regulatory authority. In the United States, ABN AMRO is also subject to federal reporting requirements as a bank holding company.

*The information contained in this Attachment relates to and has been obtained from ABN AMRO. The delivery of the offering memorandum shall not create any implication that there has been no change in the affairs of ABN AMRO since the date hereof, or that the information contained or referred to in this Attachment is correct as of any time subsequent to its date. No representation is made by MTA, the Transit Authority, LIRR, MNCRC or the Dealers as to the information contained in this Attachment.*

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**BOOK-ENTRY ONLY SYSTEM**

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the Notes exceeds \$500 million, one Note of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Note will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from MTA or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to MTA or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Notes are required to be printed and delivered.

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

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

**FORM OF BOND COUNSEL OPINION**

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

June 12, 2002

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance from time to time of Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes"), the outstanding principal amount of which may not exceed \$750,000,000 at any time of the MTA, more particularly described below.

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined two Arbitrage and Use of Proceeds Certificates of the MTA, dated respectively, October 8, 1998 and December 8, 1998 (collectively the "Arbitrage and Use of Proceeds Certificates"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Notes, including, but not limited to, certain representations with respect to the use of the proceeds of the Notes and the investment of certain funds. The Arbitrage and Use of Proceeds Certificates obligate the MTA to take certain actions necessary to cause interest on the Notes not to be included in gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Notes from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificates with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Notes, and (ii) compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificates as to such tax matters.

In connection with the issuance of the Notes, the MTA has entered into a Letter of Credit and Reimbursement Agreement with ABN AMRO Bank, N.V., (the "Bank"), pursuant to which the Bank is issuing on the date hereof its irrevocable direct pay Letter of Credit (the "Letter of Credit") in order to pay principal and interest due on the Notes as provided therein.

We are of the opinion that:

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

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

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

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

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

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

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

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

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

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

Very truly yours,

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