



\$554,105,000
Metropolitan Transportation Authority
Dedicated Tax Fund Bonds, Series 2001A

Dated: Date of Delivery

Due: November 15, as shown on the inside cover

The Series 2001A Bonds are being issued to finance certain transit and commuter capital projects. Interest on the Series 2001A Bonds is payable on May 15 and November 15, commencing May 15, 2002. The Series 2001A Bonds are subject to redemption prior to maturity as described herein.

The Series 2001A 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.

Payment of the principal of and interest on certain maturities of the Series 2001A Bonds (Insured Bonds), as noted on the inside cover, when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2001A Bonds by Financial Guaranty Insurance Company.



**Financial Guaranty Insurance
Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Upon compliance with the conditions described under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION, MTA may, without the consent of any owners of Series 2001A Bonds, substantially change the security for the Series 2001A Bonds by substituting the terms and provisions of the Proposed DTF Resolution, together with any changes thereto, for the terms and provisions of the Existing DTF Resolution. The Proposed DTF Resolution, among other things, eliminates certain reserve funds and reduces coverage ratios for the issuance of additional bonds. MTA currently expects to exercise the right of substitution when the previously mentioned conditions are satisfied.

In the opinion of Hawkins, Delafield & Wood, 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 2001A 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 2001A Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State.

The Series 2001A 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 4, 2001.

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 2001A 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.

Morgan Stanley

UBS PaineWebber Inc.

Bear, Stearns & Co. Inc.

First Albany Corporation

Lehman Brothers

JPMorgan

Salomon Smith Barney

ABN AMRO Financial Services, Inc.

Advest, Inc.

CIBC World Markets

Commerce Capital Markets

RBC Dain Rauscher Inc.

Fahnestock & Co. Inc.

Jackson Securities Inc.

Lebenthal & Co., Inc.

Merrill Lynch & Co.

Quick & Reilly, Inc.

Ramirez & Co., Inc.

Raymond James & Associates, Inc.

Roosevelt & Cross, Incorporated

Siebert Brandford Shank & Co., LLC

Wachovia Securities

\$554,105,000
Metropolitan Transportation Authority
Dedicated Tax Fund Bonds, Series 2001A

\$321,615,000 Serial Bonds

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>
2002	\$10,260,000	4.00 %	1.925%	2013*	\$ 2,395,000	4.125%	4.21%
2003	5,190,000	5.00	2.19	2014*†	12,915,000	5.25	4.32
2003	4,045,000	3.00	2.19	2014*	1,805,000	4.25	4.32
2004*	9,620,000	3.00	2.50	2015*†	14,380,000	5.25	4.42
2005*	3,930,000	5.00	2.82	2015*	1,095,000	4.40	4.42
2005*	5,975,000	4.00	2.82	2016*†	14,495,000	5.25	4.51
2006*	10,340,000	3.00	3.06	2016*	1,780,000	4.50	4.51
2007*	10,655,000	5.00	3.36	2017*†	15,815,000	5.25	4.60
2008*	6,675,000	4.50	3.59	2017*	1,300,000	4.60	100
2008*	4,510,000	3.50	3.59	2018*†	16,915,000	5.25	4.69
2009*	9,645,000	4.50	3.74	2018*	1,090,000	4.625	4.69
2009*	2,000,000	3.625	3.74	2019*†	18,345,000	5.25	4.76
2010*	9,755,000	5.00	3.86	2019*	600,000	4.75	4.76
2010*	2,395,000	3.75	3.86	2020*†	19,350,000	5.00	4.95
2011*	10,310,000	5.25	3.96	2020*	590,000	4.90	4.95
2011*	2,420,000	3.80	3.96	2021*	18,355,000	5.00	100
2012*†	9,195,000	5.25	4.10	2021*	2,580,000	4.90	5.00
2012*	4,165,000	4.00	4.10	2022*†	21,980,000	5.25	4.92
2013*†	11,615,000	5.25	4.21	2023*†	23,130,000	5.25	4.95

\$232,490,000 Term Bonds

\$43,705,000 5.00% Series 2001A Term Bonds Due November 15, 2025* Priced to Yield 5.07%
 \$188,785,000 5.00% Series 2001A Term Bonds Due November 15, 2031* Priced to Yield 5.13%

* Insured by Financial Guaranty Insurance Company.

† Priced at the stated yield to the November 15, 2011 optional redemption date at a redemption price of 100%.

Metropolitan Transportation Authority

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

Peter S. Kalikow..... *Chairman*
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*
Joseph Rutigliano..... *Non-Voting Member*
Ernest J. Salerno..... *Member*
Andrew M. Saul..... *Member*
James L. Sedore, Jr..... *Member*
Lawrence H. Silverman..... *Non-Voting Member*
James S. Simpson..... *Member*
Edward A. Vrooman..... *Member*
Rudy Washington..... *Member*
Alfred E. Werner..... *Member*

Marc V. Shaw..... *Executive Director*
Gary G. Caplan..... *Director, Budgets and Financial Management*
Kimberley L. Paparello..... *Director, Finance*
Mary Jennings Mahon, Esq..... *Deputy Executive Director, General Counsel and Secretary*

HAWKINS, DELAFIELD & WOOD
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 2001A Bonds. The information in this official statement, including the materials filed with the repositories and included by specific 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 Bonds, Series 2001A.
Purpose of Issue.....	The Series 2001A Bonds are being issued to finance certain transit and commuter capital projects.
Details	MTA is issuing the Series 2001A Bonds with the maturities, in the aggregate principal amounts, and at the interest rates shown on the inside cover of this official statement.
Denominations	\$5,000 and whole multiples of \$5,000.
Interest Payment Dates	May 15 and November 15, commencing May 15, 2002.
Redemption.....	The Series 2001A Bonds are subject to optional redemption on or after November 15, 2011. <i>See</i> REDEMPTION PRIOR TO MATURITY <i>in Part I</i> for other redemption information.
Sources of Payment and Security.....	MTA's pledged State taxes.
Substitution of Security.....	Upon compliance with the conditions described under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION <i>in Part II</i> , the MTA may, without the consent of any owners of Series 2001A Bonds, substantially change the security for the Series 2001A Bonds by substituting the terms and provisions of the Proposed DTF Resolution, together with any changes thereto, for the terms and provisions of the Existing DTF Resolution. The Proposed DTF Resolution, among other things, eliminates certain reserve funds and reduces coverage ratios for the issuance of additional bonds. MTA currently expects to exercise the right of substitution when the conditions described herein are satisfied.
Credit Enhancement	Financial Guaranty Insurance Company for all Series 2001A Bonds other than the Series 2001A Bonds maturing on November 15, 2002 and November 15, 2003.
Registration of the Bonds.....	DTC Book-Entry Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee	The Bank of New York. The Trustee may be replaced as provided in SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION.
Bond Counsel.....	Hawkins, Delafield & Wood.
Tax Status.....	Interest excluded from federal gross income and exempt from personal income taxes of the State of New York or any of its political subdivisions. <i>See</i> TAX MATTERS <i>in Part III</i> .
Ratings	The Series 2001A Bonds maturing November 15, 2002 and November 15, 2003 have been rated A3 by Moody's, AA- by Standard & Poor's, and A+ by Fitch. The Insured Bonds have been rated Aaa by Moody's, AAA by Standard & Poor's, and AAA by Fitch with the understanding that upon delivery of the Insured Bonds a policy insuring the payments when due of the principal of and interest on the Insured Bonds will be issued by Financial Guaranty Insurance Company. <i>See</i> RATINGS <i>in Part III</i> .
Financial Advisor.....	Goldman, Sachs & Co.
Underwriters	<i>See</i> cover page.
Purchase Price/Underwriters' Discount.....	<i>See</i> UNDERWRITING <i>in Part III</i> .
Counsel to the Underwriters	Orrick, Herrington & Sutcliffe LLP.
MTA Special Counsel.....	Nixon Peabody LLP and Squire, Sanders & Dempsey L.L.P.

- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2001A Bonds, in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or anyone else to give any information or make any representation in connection with the offering of the Series 2001A 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 2001A 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.
- ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific 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," "budget," "estimate," "expect," "objective," "projection," "forecast," "goal" 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.
- ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Series 2001A Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.

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Information Included by Specific Reference. The following portions of MTA's 2001 Combined Continuing Disclosure Filings, dated April 27, 2001, and filed with the repositories identified in the Introduction to this official statement, are included by specific reference in this official statement, along with material that updates this official statement or any such portions 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 2001A Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities (*See also Attachment 1* – Addendum to **Appendix A**)
- **Appendix G** – Dedicated Tax Fund Bonds – Summary of Certain Provisions of the Resolution

INTRODUCTION

Unless otherwise noted, the terms used in this official statement are the terms as used and defined in the Existing DTF Resolution and *not* the Proposed DTF Resolution. The same term may be used in both the Existing DTF Resolution and the Proposed DTF Resolution but may have different meanings.

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.

In addition, 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, and 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 2001 Combined Continuing Disclosure Filings, which is included by specific reference in this official statement. **Attachment 1** is an Addendum to **Appendix A** that updates **Appendix A**. **Appendix A**, together with **Attachment 1**, is referred to throughout as **Appendix A**.

Terrorist Attack on World Trade Center

As more fully described in **Attachment 1**, certain portions of the MTA regional transportation operations were affected by the terrorist attack on the World Trade Center (WTC). The most significant infrastructure damage includes the subway tunnel running beneath the WTC on the #1 and #9 subway lines that will need to be completely rebuilt, along with the related stations and infrastructure, and damage to the N/R Line Cortlandt Street Station. The current estimate of property damage to the transit system is \$855 million. The MTA currently expects that insurance coverage in the amount of approximately \$1.5 billion (subject to a \$15 million deductible) and federal disaster assistance funds will cover substantially all of the property and business interruption losses related to this event. Bridges and tunnels operated by TBTA suffered no structural damage; however, certain bridges and tunnels, particularly the Brooklyn-Battery Tunnel and the Queens Midtown Tunnel, are subject to sporadic closings and restrictions on traffic coordinated by federal, state and local agencies.

MTA continues to assess the long-term impact of, among other things, the attack and its aftermath on state subsidies generated by regional economic transactions, such as the regional sales and use tax and certain business taxes. All estimates of the adverse impact on the MTA and the regional economy are of necessity preliminary and are subject to adjustment as more information becomes available. As more information becomes known, the State and the MTA expect to provide revised estimates in their periodic filings with the municipal market and may provide more frequent updates as the fiscal and economic ramifications of the terrorist attack become more clear.

See **Attachment 1** for more information relating to the damage caused by the attack on WTC and its impact on MTA and the Related Entities.

Where to Find Information

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

- This **Introduction** provides a general description of the MTA Dedicated Tax Fund, as well as the background and process for the restructuring of public debt securities by MTA and its affiliates, TBTA and the Transit Authority.
- **Part I** provides specific information about the Series 2001A Bonds.
- **Part II** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2001A Bonds, prior to the substitution of the Proposed DTF Resolution for the Existing DTF Resolution, and a description of the conditions that must be satisfied before the substitution can occur.
- The section entitled SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION *in Part II* describes the ability to make changes to the Proposed DTF Resolution prior to any substitution, as well as the conditions that must be satisfied before any substitution.
- **Part III** provides miscellaneous information relating to the Series 2001A Bonds.
- **Attachment 1** is an addendum to **Appendix A** and includes an update to certain information contained in **Appendix A** that the MTA deems relevant to the Series 2001A Bonds.
- **Attachment 2** includes a summary of certain provisions of the Series 2001A Series Resolution.
- **Attachment 3** includes a summary of certain provisions of the current version of the Proposed DTF Resolution and Standard Resolution Provisions.
- **Attachment 4** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2001A Bonds.
- **Attachment 5** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2001A Bonds.
- **Attachment 6** is the form of opinion of Bond Counsel in connection with the Series 2001A Bonds.
- **Attachment 7** is the form of specimen municipal bond insurance policy relating to certain maturities of the Series 2001A Bonds.
- **Information Included by Specific 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 Williams 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 J.J. Kenny Repository

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 Reference. The information listed in the Table of Contents, as filed with the repositories to date, is “included by specific reference” in this official statement. This means that important information is disclosed by referring to those documents that are considered to be part of this official statement. **This official statement, which includes those filings and may include filings to be made, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2001A 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 and debt service reserve requirements of obligations, including the Series 2001A Bonds, issued by the MTA and secured by moneys in such Fund (the bonds issued under the Existing DTF Resolution, including the Series 2001A Bonds, are referred to collectively herein as the “Bonds”). Such 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 such requirements, to meet debt service and debt service reserve requirements on the Bonds. MTTF Receipts and MMTOA Receipts not used to meet such 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 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.

Overview of the Debt Restructuring Program

Background. As part of the process of determining funding sources for its transit and commuter capital programs for the years 2000-2004, and in order to increase bonding capacity, release existing reserve funds and

simplify its current credit structure, the MTA developed a program to restructure its, the Transit Authority's and TBTA's debt by consolidating most existing credits into four principal new credits:

- MTA Transportation Revenue Bonds
- TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds
- MTA Dedicated Tax Fund Bonds
- MTA State Service Contract Bonds

The restructuring is designed to allow more efficient operations and to provide for modernized, flexible, cost-effective access to capital. The most significant change is the consolidation of the previously separate commuter and transit farebox credits into one resolution, creating the new MTA Transportation Revenue Obligation Resolution.

The actual results of the restructuring will depend upon many factors, including market conditions at the time of each element of the restructuring. There is no assurance that all the goals of the restructuring and the amount of new bonding capacity assumed, as described below, will be successfully achieved.

MTA plans to accomplish the objectives of the restructuring through the following actions:

1. Defeasance of Old Credits. MTA, the Transit Authority and TBTA will be refunding and defeasing substantially all of their outstanding debt and consolidating most of their existing credits. Portions of the restructuring may be accomplished by issuing bonds under the existing resolutions that permit the substitution of the terms and provisions of the new resolutions for the existing resolutions upon the satisfaction of certain conditions, similar to the Series 2001A Bonds. The following credits described in more detail under the caption "Public Debt Securities" in **Appendix A** are expected to be defeased in full upon completion of the debt restructuring, and once all of the new resolutions have been approved by the Metropolitan Transportation Authority Capital Program Review Board (Review Board) and adopted by the MTA board, no other bonds or notes will be issued under those resolutions:

- "Old Farebox Bonds" —
 - MTA Transit Facilities Revenue Bonds
 - MTA Commuter Facilities Revenue Bonds
 - MTA Subordinated Commuter Facilities Revenue Bonds (Grand Central Terminal Redevelopment Project)
 - Transit Authority Subordinated Transit Facilities Revenue Bonds (Livingston Plaza Project)
- "Old TBTA Bonds" —
 - TBTA General Purpose Revenue Bonds
 - TBTA 1991 Mortgage Recording Tax Special Obligation Bonds
 - TBTA 1988 Mortgage Recording Tax Special Obligation Bonds (no bonds or notes are currently outstanding)
 - TBTA Beneficial Interest Certificates
 - TBTA 1994 Subordinated Special Obligation Bonds
- "Other Old MTA Bonds"¹ —
 - MTA Dedicated Tax Fund Bonds (1995 Resolution) (Existing DTF Resolution)
 - MTA Transit Facilities Service Contract Bonds (1982 and 1987 Resolutions)
 - MTA Commuter Facilities Service Contract Bonds (1982 and 1987 Resolutions)

¹ MTA and TBTA do not currently intend to refund and defease any of the "2 Broadway Certificates of Participation", the "MTA Excess Loss Fund Special Obligation Bonds", or the "TBTA Convention Center Project Bonds", as part of the debt restructuring. Those obligations are also described under the caption "Public Debt Securities" in **Appendix A**.

The Series 2001A Bonds are being issued under the Existing DTF Resolution to finance certain transit and commuter capital projects. If the MTA is successful in securing the approval of the Review Board,

- upon compliance with the conditions described under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION, the MTA may, without the consent of any owners of Series 2001A Bonds, substantially change the security for the Series 2001A Bonds by substituting the terms and provisions of the Proposed DTF Resolution, together with any changes thereto, for the terms and provisions of the Existing DTF Resolution, and
- the Series 2001A Bonds will thereafter be secured in accordance with the terms and provisions of the Proposed DTF Resolution, together with any changes thereto.

(a) Completion of Various Financings Prior to the Commencement of the Debt Restructuring – DTF Bonds and certain TBTA Bonds to be issued under the existing resolutions with provisions to substitute new resolutions after Review Board approval. Due to MTA's need for capital and advantageous market conditions, MTA plans to issue certain bonds and/or notes, such as the Series 2001A Bonds, to finance new transit and commuter projects, which Series 2001A Bonds permit the substitution of the Proposed DTF Resolution for the Existing DTF Resolution after Review Board approval as described herein.

In a similar manner, the MTA expects that TBTA will issue General Purpose Revenue Bonds under the Existing TBTA General Purpose Revenue Bond Resolution as follows:

- fixed rate TBTA General Purpose Revenue Bonds (subject to substitution of resolution provisions) as long-term financing for the \$1 billion TBTA General Purpose Revenue Bond Anticipation Notes, Series 2001A, maturing January 17, 2002 (\$1.13 billion of such bonds were issued on November 15, 2001), and
- approximately \$325,000,000 variable rate TBTA General Purpose Revenue Bonds (subject to substitution of resolution provisions) required by a delayed start interest rate swap agreement sold on February 24, 1999, as more fully described in **Appendix A** under the caption PUBLIC DEBT SECURITIES – Swap Agreements.

(b) First Phase of the Debt Restructuring – MTA Transportation Bonds and remaining TBTA Bonds. After the approval by the Review Board of the new resolutions, in addition to substituting the new resolutions for the existing resolutions as described above, MTA expects to refund and defease in full the Old Farebox Bonds and the remaining Old TBTA Bonds by issuing MTA Transportation Revenue Bonds, TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds.

- MTA and TBTA currently expect to first seek tenders of certain series and maturities of the Old Farebox Bonds and the Old TBTA Bonds (except for the TBTA Beneficial Interest Certificates) in exchange for new MTA Transportation Revenue Bonds or new TBTA General Revenue Bonds, respectively, or cash.
- Not all of the Old Bonds tendered for exchange or purchase may be accepted by MTA and TBTA. Once MTA and TBTA have decided which of the Old Bonds tendered will be accepted for exchange or cash purchase and how much available cash will be applied by MTA and TBTA to defease other debt, MTA will determine the amount of taxable and tax-exempt debt that will be necessary in order to refund in full all remaining obligations and terminate the old resolutions.
- Once bonds offered for tender have been accepted and available cash has been applied, MTA and TBTA will structure the issuance of MTA Transportation Revenue Bonds, TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds in order to refund the Old Farebox Bonds and Old TBTA Bonds and defease the resolutions pursuant to which they were issued.

(c) Outstanding Old Farebox Bonds and Old TBTA Bonds to be Restructured. The debt to be restructured by the Transportation Revenue Bonds includes the following:

- approximately \$4.43 billion of Old Farebox Bonds,
- \$750 million of commercial paper issued in the form of Old Farebox bond anticipation notes (to be refunded with new commercial paper in the form of MTA Transportation Revenue bond anticipation notes), and
- \$807,190,000 of TBTA 2000A bond anticipation notes maturing on January 1, 2003 (these notes were sold with provisions that permit TBTA to issue bonds under a new TBTA resolution subject to the satisfaction of certain conditions described in the notes, but it is currently expected that these notes will be refinanced with the proceeds of the new Transportation Revenue Bonds).

The debt to be restructured by TBTA General Revenue Bonds includes the following:

- approximately \$3.5 billion of Old TBTA General Purpose Revenue Bonds (which includes the approximately \$325,000,000 variable rate TBTA General Purpose Revenue Bonds required to be issued by a delayed start interest rate swap agreement sold on February 24, 1999, as more fully described above),
- approximately \$108 million of variable rate Old TBTA General Purpose Revenue Bonds, and
- approximately \$1 billion of TBTA 2001A bond anticipation notes maturing on January 17, 2002 (that are referred to above as being subject to issuance prior to the commencement of the debt restructuring).

In addition, approximately \$1.2 billion of subordinated Old TBTA Bonds will be restructured, including \$526 million Special Obligation Variable Rate Refunding Bonds, Series 2000A – Series 2000D that contain provisions permitting the substitution of resolutions.

MTA expects that, not including the new money capacity resulting from the restructuring described below, and not including bonds that provide for resolution substitution, it will issue the following approximate aggregate principal amounts of refunding bonds of each of these new credits to accomplish the above-referenced defeasances and tenders:

- MTA Transportation Revenue Bonds -- \$4.6 billion
- TBTA General Revenue Bonds -- \$3.0 billion
- TBTA Subordinate Revenue Bonds -- \$598 million

(d) Release of Existing Reserve Funds. Once the restructuring of the Old Farebox Bonds has been accomplished, approximately \$356 million in reserves under the old farebox resolutions will be released to the MTA, and once the restructuring of the Old TBTA Bonds has been accomplished, approximately \$413 million in reserves under the old TBTA resolutions will be released to TBTA. It is expected that all released reserves, including approximately \$160 million expected to be released under the Existing DTF Resolution and \$124 million expected to be released under the old State Service Contract Resolutions, will be used to finance transit and commuter capital projects.

(e) Second Phase of the Debt Restructuring – Dedicated Tax Fund Bonds and State Service Contract Bonds. After refunding the Old Farebox Bonds and the Old TBTA Bonds, and at or about the time that the new resolutions are substituted as security for the existing bond resolutions in accordance with the terms of certain DTF and TBTA bonds as described above, MTA expects to refund and defease the old Dedicated Tax Fund Bonds and the old State Service Contract Bonds by issuing new MTA Dedicated Tax Fund Bonds under the Proposed DTF Resolution, as amended and supplemented and approved by the Review Board, and new State Service Contract Bonds, respectively.

(f) Types of Debt to be Issued During the Restructuring. MTA expects that the new debt for refunding purposes issued under the new resolutions will consist of a combination of tax-exempt and taxable debt, including both fixed-rate and variable-rate debt within each category, as well as commercial paper, in amounts depending upon, among other things, the amount of bonds accepted by MTA and TBTA for exchange and purchase through the tender process, as well as existing market conditions at the time of issuance.

2. Additional New Money Bond Capacity for Capital Programs. One of the goals of the debt restructuring is to increase bonding capacity to provide additional sources of funds for the capital needs of the transit and commuter systems and TBTA facilities in accordance with their approved five-year capital programs.

General Statutory Requirements. The MTA Act requires MTA to submit to the Review Board for its approval successive five-year capital programs, one for the transit system and SIRTOA and the other for the commuter system. TBTA has its own capital program relating to TBTA facilities that covers the same time period but is not subject to approval by the Review Board. The MTA Act limits the amount of debt that can be issued by MTA, TBTA and the Transit Authority for transit and commuter projects, but not for TBTA facilities.

More detailed information relating to the 2000-2004 transit and commuter capital programs is set forth in **Appendix A** under the caption 2000-2004 FINANCIAL PLAN AND 2000-2004 CAPITAL PROGRAMS.

Status of Existing Approved Capital Programs. The Review Board has approved both the transit and commuter capital programs for the years 2000-2004, but the failure of the voters to approve the State Bond Act in November 2000 has left the sources listed in the approved programs to complete the capital programs deficient by approximately \$1.6 billion. The TBTA capital program assumes the issuance of approximately \$1 billion of TBTA bonds to finance TBTA facilities during the five-year period.

The transit and commuter capital programs for 2000-2004, which were approved before the defeat of the State Bond Act, include the following sources of funds:

- approximately \$6.3 billion of new money bonds; and
- approximately \$3 billion to be derived from the debt restructuring, consisting of
 - \$1 billion resulting from debt service reserve funds released from the old resolutions, and
 - \$2 billion from new money capacity resulting from the restructuring of all of the credits.

Substantial portions of the new money bonds are not expected to be issued until after 2004.

As appropriate, MTA and the Review Board will amend the transit and commuter capital programs from time to time to reflect the level of funding available to pay for the capital projects anticipated to be undertaken during the time period covered by the approved programs. In addition, amendments may be required to reflect certain projects undertaken in connection with the terrorist attack on WTC.

MTA Financial Plan. The amount of new money capacity that is expected to be generated by the debt restructuring will vary depending upon market conditions and other factors existing at the time of the issuance of the refunding and new money debt. Due mainly to improved market conditions since the time the capital programs were approved, the amount of MTA new money that can be issued as a result of the debt restructuring has increased from \$2 billion to \$3.5 billion, thereby substantially eliminating the deficiency of sources listed in the Review Board-approved transit and commuter capital programs caused by the defeat of the State Bond Act. The portion of the proceeds of the Series 2001A Bonds used to fund new transit and commuter projects contained in the 2000-2004 capital programs, if any, represents a portion of the \$6.3 billion in new money listed as a source in the approved capital program.

Changes in market conditions and other factors since the adoption of the financial plan may cause the amount of new money capacity estimated in the current MTA financial plan to change. However, it is expected that

- the maximum annual debt service on
 - the debt issued to defease the existing resolutions, plus
 - \$3.5 billion in new money capacity generated by the restructuring**will not be greater than**
- the maximum annual debt service on the existing bonds being restructured.

It is expected that new money bonds issued to fund transit and commuter projects will be Transportation Revenue Bonds, Dedicated Tax Fund Bonds, State Service Contract Bonds and TBTA Subordinate Revenue Bonds

and that new money bonds issued to fund TBTA facilities will be TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds.

3. Additional Debt to be Issued. In addition to the debt to be issued to defease the old resolutions and the debt representing new money capacity expected to result from the restructuring for the 2000-2004 transit and commuter capital programs, and \$1 billion for TBTA facilities, MTA expects to issue during the 2000-2004 period approximately \$1.8 billion of MTA new money debt for the projects contained in the 1995-1999 transit and commuter capital programs, approximately \$1.2 billion of which consists of bonds to be issued as long-term financing for \$750 million of transit and commuter commercial paper referred to under “Outstanding Old Farebox Bonds and Old TBTA Bonds to be Restructured” and \$450 million of TBTA bond anticipation notes included in the \$807,190,000 TBTA bond anticipation notes referred to in the same heading.

The portion of the proceeds of the Series 2001A Bonds used to fund new transit and commuter projects contained in the 1995-1999 approved capital programs represents a portion of this new money debt.

It is expected that new money bonds issued for these purposes will be Transportation Revenue Bonds and Dedicated Tax Fund Bonds.

PART I. SERIES 2001A BONDS

Part I of this official statement, together with the Summary of Terms on page (ii), provides specific information about the Series 2001A Bonds.

APPLICATION OF PROCEEDS

The MTA expects that the proceeds of the \$554,105,000.00 aggregate principal amount of the Series 2001A Bonds, plus net original issue premium of \$8,610,694.95, and less certain financing, legal, bond insurance and miscellaneous expenses of \$8,755,662.45, will be applied as follows:

Deposit to Proceeds Fund (capital projects)	\$500,000,000.00
Deposit to Debt Service Reserve Fund	35,973,355.00
Deposit to Capitalized Interest Account	<u>17,986,677.50</u>
	\$553,960,032.50

DESCRIPTION OF SERIES 2001A BONDS

General

Book-Entry Only System. The Series 2001A 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 2001A Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2001A Bonds, all payments on the Series 2001A 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 4** – Book-Entry Only System.

Interest Payments. The Series 2001A Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this official statement. So long as DTC is the sole registered owner of all of the Series 2001A Bonds, all interest payments will go 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 2001A Bonds are fully registered in authorized denominations.

Transfers and Exchanges. So long as DTC is the securities depository for the Series 2001A Bonds, it will be the sole registered owner of the Series 2001A Bonds, and transfers of ownership interests in the Series 2001A Bonds will occur through the DTC Book-Entry Only System.

Trustee. The Bank of New York is Trustee and Paying Agent with respect to the Bonds. The MTA reserves the right to replace the trustee when the Proposed DTF Resolution is substituted for the Existing DTF Resolution.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The Series 2001A Bonds maturing on November 15, 2025 are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2024 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2001A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>
2024	\$24,345,000
2025*	19,360,000

*Final Maturity.

Redemption of the Series 2001A Bonds maturing on November 15, 2025 solely in accordance with the foregoing schedule would result in an average life of approximately 23.39 years calculated from their delivery date.

The Series 2001A Bonds maturing on November 15, 2031 are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2025 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2001A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2025	\$ 6,205,000	2029	\$31,075,000
2026	26,840,000	2030	32,625,000
2027	28,185,000	2031*	34,260,000
2028	29,595,000		

*Final Maturity.

Redemption of the Series 2001A Bonds maturing on November 15, 2031 solely in accordance with the foregoing schedule would result in an average life of approximately 27.47 years calculated from their delivery date.

Optional Redemption. The Series 2001A Bonds maturing on or after November 15, 2012 are subject to redemption prior to maturity on any date on or after November 15, 2011, at the option of MTA, in whole or in part on any date (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem any series of Bonds, prior to maturity, as a whole, on any interest payment date not less than twenty years after the date of issue of the Bonds of such series, at such redemption price provided for the Bonds in the case of redemption as a whole on the redemption date, plus accrued interest. The MTA Act further provides that the City, upon furnishing sufficient funds, may require MTA to redeem as a whole, any series of Bonds at the time or times and in accordance with the terms upon which such Bonds are otherwise redeemable.

Redemption Notices. So long as DTC is the securities depository for the Series 2001A Bonds, the trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2001A 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 2001A 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. **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 a redemption notice and holds money to pay the redemption price of the affected Series 2001A Bonds, then on the redemption date the Series 2001A Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Series 2001A Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2001A Bonds.

Bond Insurance

Concurrently with the issuance of the Series 2001A Bonds, Financial Guaranty Insurance Company (FGIC) will issue its Municipal Bond New Issue Insurance Policy (Policy) for certain of the Series 2001A Bonds (Insured Bonds), as noted on the inside cover. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by MTA. FGIC will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (Fiscal Agent), on the later of the date on which such principal and interest is due or on the business day next following the day on which FGIC shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Insured Bonds or the Paying Agent of the nonpayment of such amount by MTA. The Fiscal Agent will disburse such amount due on any Insured Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in FGIC. The term "nonpayment" in respect of an Insured Bond includes any payment of principal or interest made to an owner of an Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Insured Bonds. The Policy covers failure to pay principal of the Insured Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Insured Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, FGIC requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without FGIC's consent, in each case so long as FGIC has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to FGIC's consent. The specific rights, if any, granted to FGIC in connection with its insurance of the Insured Bonds are set forth in the description of the principal legal documents appearing elsewhere in this official statement. Reference should be made as well as to such description for a discussion of the circumstances, if any, under which MTA is required to provide additional or substitute credit enhancement, and related matters.

This official statement contains a section regarding the ratings assigned to the Series 2001A Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Insured Bonds. Reference should be made to the description of MTA for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

FGIC is a wholly-owned subsidiary of FGIC Corporation (Corporation), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation (GE Capital). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against FGIC. FGIC is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 2001, the total capital and surplus of FGIC was approximately \$1.181 billion. FGIC prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to FGIC at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

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 2001A Bonds. This *Part II* also contains information relating to changes in the security for the Series 2001A Bonds under the caption SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION.

SOURCES OF PAYMENT

Under State Law, MTA receives money for the payment of its Dedicated Tax Fund Bonds from certain dedicated taxes described in this section.

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 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).

The PBT is the business privilege tax imposed on petroleum businesses operating in the State. PBT taxes generally consist of

- a basic tax which varies (as a percentage) based on product type, and
- a supplemental tax, which is applied at a uniform rate.

A significant portion of net PBT receipts from the basic tax and all of the supplemental tax are required by current law to be deposited in the PBT Dedicated Funds Pool.

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

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.

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, a portion of the PBT Basic Tax 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) —
 - an annual franchise tax based on the amount of the taxpayer’s issued capital stock, and
 - annual franchise tax on the taxpayer’s gross earnings from all sources calculated to be in the State pursuant to statutory formulae.
- **Temporary Franchise Surcharge.** The Temporary Franchise Surcharge is imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, utility, 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. This surcharge was originally imposed in 1982, has been extended eight times since then, and is currently scheduled to expire in 2005. Thus, for calendar-year taxpayers no payments for 2005 will be due in 2005 unless the surcharge is further extended by the State Legislature.

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. See LITIGATION for a discussion of a recent case, *Moran Towing Corporation v. Urbach*.

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. See INTRODUCTION – Terrorist Attack on World Trade Center *herein*.

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

- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have

no force or effect after the close of the State fiscal year for which the appropriations are made. However, in the case of the PBT that is deposited as a portion of the MTTF Receipts, the 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* 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, including the Series 2001A 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," adopted on July 31, 1996 (referred to herein as the "Existing 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.

See Appendix G included by specific reference for a more detailed summary of certain provisions of the Existing DTF Resolution. The provisions of the Proposed DTF Resolution are different in material respects from the provisions of the Existing DTF Resolution.

The Pledge Effected by the Existing DTF Resolution

Trust Estate. The Existing 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 Existing 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 Existing 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 Existing DTF Resolution (subject to the provisions governing the application of certain separate Accounts and subaccounts in the Debt Service Reserve Fund).

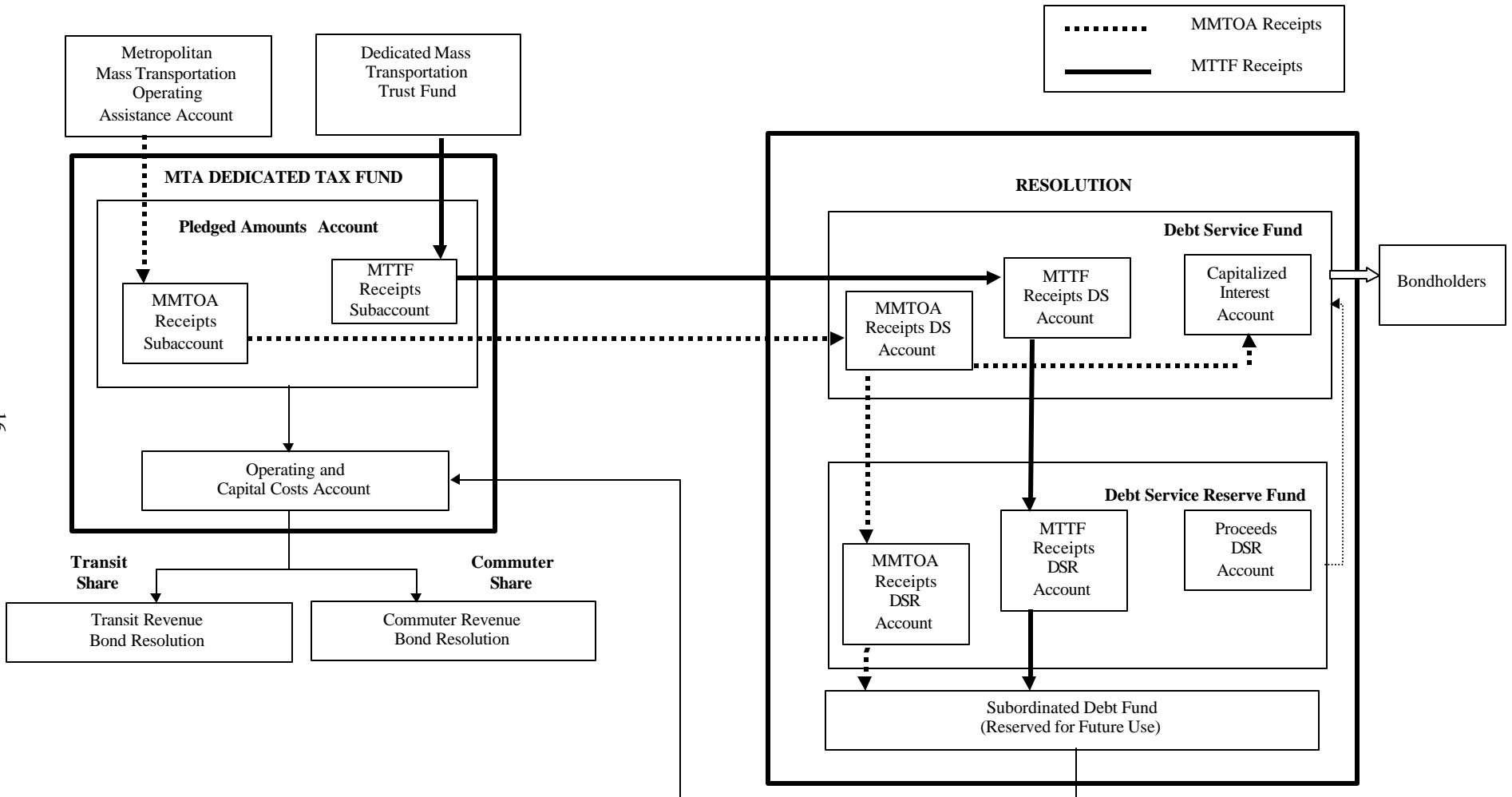
The Existing DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Existing DTF Resolution, and all corporate action on the part of MTA to that end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

Flow of Funds

The Existing DTF Resolution establishes a Proceeds Fund and a Debt Service Reserve Fund held by the MTA, and a Debt Service Fund and a Subordinated Debt Fund held by the Trustee. *See Appendix G* for a description of the provisions of the Existing DTF Resolution governing the deposits to and withdrawals from the Funds and Accounts. Amounts held by the 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 Existing DTF Resolution or any Supplemental Resolution thereto.

The following chart summarizes the flow of MTA Dedicated Tax Fund Revenues through the MTA Dedicated Tax Fund and the Funds and Accounts established under the Existing DTF Resolution.

EXISTING DTF RESOLUTION FLOW OF FUNDS



As more fully described herein under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION, the MTA is proposing to eliminate the Capitalized Interest Account. Consequently, in the event such proposed substitution becomes effective, moneys deposited into the Debt Service Fund in the preceding six months will be applied to the payment of principal and/or interest on the Bonds on the next interest payment date rather than to replenish the Capitalized Interest Account as described in the preceding paragraph, and monthly deposits into the Debt Service Fund for interest and principal will commence immediately following each payment of interest and/or principal.

Debt Service Fund

Pursuant to the Existing DTF Resolution, the Trustee holds the Debt Service Fund, consisting of the MTF Receipts DS Account, the MMTOA Receipts DS Account, and the Capitalized Interest 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 **Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Debt Service Fund**.

In connection with the issuance and delivery of any Series of Bonds, the MTA must deposit an amount into the Capitalized Interest Account such that the amount on deposit will equal 1/2 of the maximum amount of debt service due in any future year. On each payment date for the Bonds moneys on deposit in the Capitalized Interest Account are the first moneys used to pay principal and interest on the Bonds.

The 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 MTF Receipts and then, to the extent of any deficiency, from MMTOA Receipts. Following the payment of principal and/or interest to Bondholders on any interest payment date, moneys deposited into the Debt Service Fund in the preceding six months will be used to replenish the Capitalized Interest Account and applied to the payment of principal and/or interest on the Bonds on the next interest payment date. Monthly deposits of interest and principal into the Debt Service Fund commence immediately following such transfer to the Capitalized Interest Account.

Debt Service Reserve Fund

Pursuant to the Existing DTF Resolution, the MTA has established a Debt Service Reserve Fund, held by the MTA for the benefit of holders of the Bonds. The Debt Service Reserve Fund Requirement, in connection with any Bonds and any related Parity Reimbursement Obligation, means, as of any date of calculation, an amount equal to the greatest amount of Debt Service for the then current or any future Bond Year. The MTA is required to establish separate Accounts in the Debt Service Reserve Fund, which secure only the Bonds for which each such separate Account is established, in connection with Variable Interest Rate Bonds, Put Bonds or Bank Bonds and any related Parity Reimbursement Obligation pursuant to the Supplemental Resolution authorizing any such Bonds. Parity Swap Obligations will not be secured by any amounts in the Debt Service Reserve Fund. *See Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – MTA Dedicated Tax Fund; Application Thereof* for a discussion of required deposits of the MTF Receipts and MMTOA Receipts into the Debt Service Reserve Fund to cure any deficiency in the Debt Service Reserve Fund resulting from a withdrawal thereof.

As more fully described herein under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION, the MTA is proposing to eliminate the Debt Service Reserve Fund. Upon the elimination of the Debt Service Reserve Fund, the moneys therein are expected to be used to finance capital projects in the approved transit and commuter capital programs, or for other purposes permitted by law.

If on any interest payment date or Principal Installment due date, as the case may be, the available amounts in the Debt Service Fund shall be less than the Debt Service payable on such date, the MTA shall apply available amounts from the Debt Service Reserve Fund to the extent necessary to make up the deficiency at the times and in accordance with the priorities established by the Existing DTF Resolution. *See Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Debt Service Reserve Fund*.

In lieu of the required transfers or deposits of money to the Debt Service Reserve Fund or as a replacement or substitute for any amounts then on deposit, the MTA may at any time cause to be deposited in the Debt Service Reserve Fund a Reserve Fund Credit Facility. *See Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions* for a description of the requirements of a Reserve Fund Credit Facility.

Covenants

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

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

Such certificate must further 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, the Debt Service Fund and the Debt Service Reserve Fund; and

(B) the greatest amount for the then current or any future Bond Year of the sum of (i) Debt Service on all Outstanding Bonds plus (ii) any 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 accordance with clause (A) above is not less than 1.75 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 3.5 times the amount set forth in clause (B) above.

As more fully described herein under SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION, the MTA is proposing to amend the foregoing additional bonds test to (1) eliminate investment income on the Debt Service Reserve Fund (which is proposed to be eliminated) from the calculation of available revenues, and (2) reduce the coverage in paragraph (x) above from 1.75 times to 1.35 times and to reduce the coverage in paragraph (y) above from 3.5 times to 2.5 times.

See Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Special Provisions for Project Cost Bonds 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 Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION -- Special Provisions for Refunding Bonds.*

Parity Debt

The MTA may incur Parity Debt pursuant to the terms of the Existing DTF Resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Existing DTF Resolution with respect to Bonds. Parity Debt may be incurred in the form of a Parity Reimbursement Obligation or a Parity Swap Obligation. See **Appendix G – DEDICATED TAX FUND BONDS – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Qualified Fixed Payor Swaps, Qualified Fixed Receiver Swaps and Other Similar Arrangements; Parity Swap Obligations.**

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 September 15th. 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. The 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.

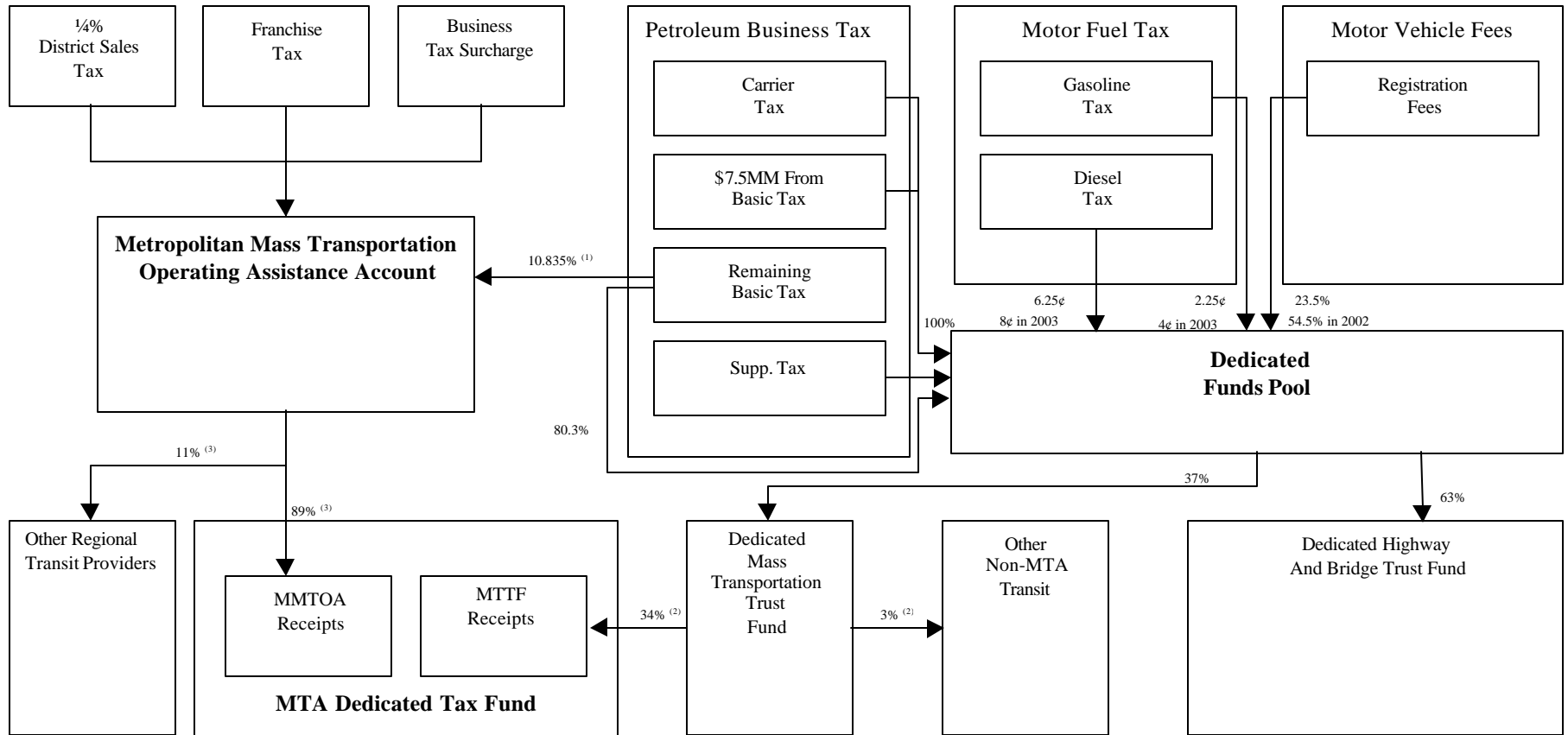
The State Legislature has expressed its intent in the State Finance Law to enact for each State Fiscal Year in the future in an annual budget bill an appropriation from the MTTF (with respect to the PBT portion only) to the MTA Dedicated Tax Fund for the then current State Fiscal Year and an appropriation 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, the 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 the 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 2001-2002 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year which ends March 31, 2002 and the other such appropriation is for the succeeding State Fiscal Year which ends March 31, 2003. The appropriation for the 2001-2002 State Fiscal Year took effect on April 1, 2001. The appropriation for the State Fiscal Year which ends March 31, 2003, is in an amount equal to \$391.4 million. The 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, the 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.

The following chart shows the flow of moneys from the receipt of the taxes to their final deposit, including the receipt by the MTA of the MTA Dedicated Tax Fund Revenues.

MTA DEDICATED TAX FUND SOURCES OF REVENUE



Notes

- (1) The foregoing percentage does not include the 8.865% share of the basic tax that is deposited in the Upstate Account.
- (2) Percentage of PBT Dedicated Funds Pool.
- (3) Percentage based on average payments from January 1998 through January 1999.

Agreement of the State

The MTA Act prohibits the 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 the 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 Existing DTF Resolution or the Proposed 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 Existing DTF Resolution or the Proposed 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.

Debt Service on the Dedicated Tax Fund Bonds

Table 1 sets forth on a cash basis the debt service on Bonds outstanding before the issuance of the Series 2001A Bonds, the debt service on the Series 2001A Bonds, and the aggregate debt service on all Bonds after issuance of the Series 2001A Bonds. It is presented in accordance with the 12-month year ending April 1 (which corresponds to the State's fiscal year ending March 31).

Table 1*
(000's omitted)

Year Ending April 1	Debt Service on Outstanding Bonds	Debt Service on Series 2001A Bonds			Aggregate Debt Service
		Principal	Interest	Total	
2002	\$106,813,269	\$ 0	\$ 0	\$ 0	\$106,813,269
2003	106,826,489	10,260,000	25,711,626	35,971,626	142,798,115
2004	106,822,499	9,235,000	26,733,839	35,968,839	142,791,338
2005	106,827,804	9,620,000	26,352,989	35,972,989	142,800,793
2006	106,830,294	9,905,000	26,064,389	35,969,389	142,799,683
2007	106,818,989	10,340,000	25,628,889	35,968,889	142,787,878
2008	106,821,461	10,655,000	25,318,689	35,973,689	142,795,150
2009	106,797,744	11,185,000	24,785,939	35,970,939	142,768,683
2010	106,836,681	11,645,000	24,327,714	35,972,714	142,809,395
2011	106,915,676	12,150,000	23,821,189	35,971,189	142,886,865
2012	106,894,276	12,730,000	23,243,626	35,973,626	142,867,903
2013	106,919,446	13,360,000	22,610,391	35,970,391	142,889,838
2014	106,918,911	14,010,000	21,961,054	35,971,054	142,889,965
2015	106,914,024	14,720,000	21,252,473	35,972,473	142,886,496
2016	106,913,930	15,475,000	20,497,723	35,972,723	142,886,653
2017	106,913,043	16,275,000	19,694,593	35,969,593	142,882,635
2018	106,913,630	17,115,000	18,853,505	35,968,505	142,882,135
2019	106,914,325	18,005,000	17,963,418	35,968,418	142,882,743
2020	106,917,381	18,945,000	17,024,968	35,969,968	142,887,349
2021	106,950,819	19,940,000	16,033,355	35,973,355	142,924,174
2022	106,913,444	20,935,000	15,036,945	35,971,945	142,885,389
2023	106,913,338	21,980,000	13,992,775	35,972,775	142,886,113
2024	106,912,775	23,130,000	12,838,825	35,968,825	142,881,600
2025	106,923,263	24,345,000	11,624,500	35,969,500	142,892,763
2026	106,913,075	25,565,000	10,407,250	35,972,250	142,885,325
2027	75,664,913	26,840,000	9,129,000	35,969,000	111,633,913
2028	75,661,513	28,185,000	7,787,000	35,972,000	111,633,513
2029	49,860,350	29,595,000	6,377,750	35,972,750	85,833,100
2030	24,862,300	31,075,000	4,898,000	35,973,000	60,835,300
2031	0	32,625,000	3,344,250	35,969,250	35,969,250
2032	0	34,260,000	1,713,000	35,973,000	35,973,000
Total	\$2,898,105,659	\$554,105,000	\$525,029,660	\$1,079,134,660	\$3,977,240,319

*Totals may not add due to rounding.

SUBSTITUTION OF PROPOSED DTF RESOLUTION FOR EXISTING DTF RESOLUTION

Unless otherwise noted, the terms used in this official statement are the terms as used and defined in the Existing DTF Resolution and *not* the Proposed DTF Resolution. The same term may be used in both the Existing DTF Resolution and the Proposed DTF Resolution but may have different meanings.

Upon compliance with the conditions described below, the MTA may, without the consent of any owners of Series 2001A Bonds, substantially change the security for the Series 2001A Bonds by substituting the terms and provisions of the Proposed DTF Resolution, together with any changes thereto, for the terms and provisions of the Existing DTF Resolution:

- The Series 2001A Bonds must continue to mature on the same dates and in the same principal amounts, be redeemable on the same dates and at the same prices, and bear interest at the same rates.
- The Proposed DTF Resolution, together with any changes thereto, must be approved by the Review Board.
- The Proposed DTF Resolution, including any changes thereto, must be adopted by the MTA Board.
- Each Rating Agency then rating the Bonds must have delivered a letter to the effect that the then existing rating on the Bonds will not be withdrawn or reduced as a result of the substitution of the Proposed DTF Resolution for the Existing DTF Resolution.
- Bond Counsel must have delivered an opinion to the effect that the Proposed DTF Resolution has been duly approved by the Review Board and adopted by the MTA Board, and that the Proposed DTF Resolution as so approved and adopted has been legally and validly substituted as security for the Bonds.

A summary of certain provisions of the Proposed DTF Resolution and the incorporated Standard Resolution Provisions is set forth as **Attachment 3**.

Some of the major differences between the Proposed DTF Resolution and the Existing DTF Resolution are as follows:

- Elimination of the Capitalized Interest Account so that moneys deposited on a monthly basis into the Debt Service Fund (1/5th of the next semiannual payment of interest and 1/10th of the next annual payment of principal) will be used to pay the next payment of interest and/or principal.
- Elimination of the Debt Service Reserve Fund.
- Revision of the additional bonds test such that additional bonds for new money projects under the Proposed DTF Resolution can be issued if MTTF Receipts and certain investment income provides not less than 1.35 times coverage, and the sum of MTTF Receipts, MMTOA Receipts and certain investment income provides not less than 2.5 times coverage. *See SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds above.*
- The definition of Defeasance Securities would be expanded to permit MTA to defease the bonds issued under the Proposed DTF Resolution, including the Series 2001A Bonds, with securities not provided by the Existing DTF Resolution.

Reference should be made to the summaries of the Proposed DTF Resolution and the Existing DTF Resolution, or to the actual text of those documents, for a more detailed comparison. Additional changes to the Proposed DTF Resolution, some of which may be significant, may be made from time to time prior to the approval by the Review Board and adoption by the MTA Board.

MTA currently expects to exercise the right of substitution when these conditions are satisfied.

THE MTA DEDICATED TAX FUND REVENUES

Introduction

Pursuant to the MTA Act, there are two sources of State funding to the MTA Dedicated Tax Fund: MTTF and the MMTOA Account.

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 following sections provide general information on actual collections and estimates of receipts for each of the sources of revenues that, after appropriation, become receipts of the MTA Dedicated Tax Fund.

Dedicated Taxes (\$ millions)	State Fiscal Year ending March 31,					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002 (est.)</u>
MTTF						
PBT	\$ 245.0	\$ 257.2	\$ 277.0	\$ 272.9	\$ 264.1	\$ 298.7
Motor Fuel Tax	-0-	-0-	-0-	-0-	53.4	58.2
Motor Vehicle Fees	-0-	-0-	-0-	-0-	-0-	27.9
Total MTTF	<u>\$ 245.0</u>	<u>\$ 257.2</u>	<u>\$ 277.0</u>	<u>\$ 272.9</u>	<u>\$ 317.5</u>	<u>\$ 384.8</u>
MMTOA						
PBT	\$ 58.1	\$ 59.1	\$ 63.8	\$ 62.2	\$ 59.5	\$ 66.9
District Sales Tax	289.1	305.9	321.4	345.6	368.2*	375.8*
Franchise Taxes	51.8	73.1	64.9	70.5	70.1	69.0
Temporary Franchise Surcharges	560.2	600.8	547.0	586.9	563.2	509.7
Total MMTOA	<u>\$959.2</u>	<u>\$1,038.9</u>	<u>\$997.1</u>	<u>\$1,065.2</u>	<u>\$1,061.0</u>	<u>\$1,021.4</u>
Total Dedicated Taxes	<u>\$1,204.2</u>	<u>\$1,296.1</u>	<u>\$1,274.1</u>	<u>\$1,338.1</u>	<u>\$1,378.5</u>	<u>\$1,406.2</u>

* See detailed table under MMTOA Account – Special Tax Supported Operating Subsidies – Historical Summary of District Sales Tax in Part II.

Source: New York State Division of the Budget.

MTTF Receipts – Dedicated Petroleum Business Tax

General

The PBT is the business privilege tax imposed on petroleum businesses operating in the State. The base of the PBT is the quantity of various petroleum products refined or sold in the State or imported into the State for sale or use therein.

Tax Rates. Since 1990, the basic and supplemental PBT tax rates have been subject to separately computed annual adjustments on January 1 of each year, to reflect the change in the Producer Price Index (PPI) for refined petroleum products for the 12 months ended August 31 of the immediately preceding year. The tax rates, therefore, increase as prices rise and decrease as prices fall. Legislation adopted in 1994 maintained the 1992 rates through 1995 and provided that, beginning January 1, 1996, the PBT rates would be adjusted annually subject to a maximum change of five percent of the current rate in any year. In addition to the five percent cap on rate changes, the statute also requires basic and supplemental rates to be rounded to the nearest tenth of one cent. As a result, the tax rates usually do not change by the full five percent allowed under the statutory formula.

The table below shows the changes in the PPI for refined petroleum products since 1994-95 and the capped PBT index since 1996.

Petroleum Business Tax Index Change (percent)			
<u>Year for PII Change (September 1 to August 31)</u>	<u>PPI for Refined Petroleum Products Change</u>	<u>Year for PBT Index</u>	<u>PBT Index Change (January 1)</u>
1994-95	4.41	1996	4.41
1995-96	6.57	1997	5.00
1996-97	7.96	1998	5.00
1997-98	-18.60	1999	-5.00
1998-99	-7.85	2000	-5.00
1999-2000	55.53	2001	5.00
2000-01	13.54	2002(a)	5.00

(a) Estimated.

Source: New York State Division of the Budget.

The two tables below show the rates per gallon for the PBT in effect for 2000 and 2001 and estimated rates for 2002, respectively.

ACTUAL PETROLEUM BUSINESS TAX RATES
(cents per gallon)

<u>Petroleum Products</u>	<u>2000</u>			<u>Jan.-Mar. 2001</u>			<u>Apr.-Dec. 2001</u>		
	<u>Base</u>	<u>Supp</u>	<u>Total</u>	<u>Base</u>	<u>Supp</u>	<u>Total</u>	<u>Base</u>	<u>Supp</u>	<u>Total</u>
Automotive Fuel									
Gasoline and other non-diesel fuels	8.00	5.40	13.40	8.40	5.60	14.00	8.40	5.60	14.00
Diesel	8.00	3.65	11.65	8.40	3.85	12.25	8.40	3.85	12.25
Aviation gasoline	8.00	5.40	13.40	8.40	5.60	14.00	8.40	5.60	14.00
Net rate after credit	5.40	None	5.40	5.60	None	5.60	5.60	None	5.60
Kero-jet fuel	5.40	None	5.40	5.60	None	5.60	5.60	None	5.60
Non-automotive diesel fuels	7.30	5.40	12.70	7.60	5.60	13.20	7.60	5.60	13.20
Commercial gallonage after credit	7.30	None	7.30	7.60	None	7.60	7.60	None	7.60
Electric utility after credit	2.43	5.40	7.83	2.52	5.60	8.12	2.52	5.60	8.12
Nonresidential heating after credit	7.30	None	7.30	7.60	None	7.60	6.10	None	6.10
Residual petroleum products	5.70	5.40	11.10	5.90	5.60	11.50	5.90	5.60	11.50
Commercial gallonage after credit	5.70	None	5.70	5.90	None	5.90	5.90	None	5.90
Electric utility after credit	0.87	5.40	6.27	0.86	5.60	6.46	0.86	5.60	6.46
Nonresidential heating after credit	5.70	None	5.70	5.90	None	5.90	4.70	None	4.70
Railroad diesel fuel	8.00	3.65	11.65	8.40	3.85	12.25	8.40	3.85	12.25
Net rate after exemption/refund	6.70	None	6.70	7.10	None	7.10	7.10	None	7.10

Source: New York State Division of the Budget.

ESTIMATED PETROLEUM BUSINESS TAX RATES
(cents per gallon)

<u>Petroleum Products</u>	<u>Jan.-Aug. 2002</u>			<u>Sept.-Dec. 2002</u>		
	<u>Base</u>	<u>Supp</u>	<u>Total</u>	<u>Base</u>	<u>Supp</u>	<u>Total</u>
Automotive Fuel						
Gasoline and other non-diesel fuels	8.80	5.80	14.60	8.80	5.80	14.60
Diesel	8.80	4.05	12.85	8.80	4.05	12.85
Aviation gasoline	8.80	5.80	14.60	8.80	5.80	14.60
Net rate after credit	5.80	none	5.80	5.80	none	5.80
Kero-jet fuel	5.80	none	5.80	5.80	none	5.80
Non-automotive diesel fuels	7.90	5.80	13.70	7.90	5.80	13.70
Commercial gallonage after credit	7.90	none	7.90	7.90	none	7.90
Electric utility after credit	2.60	5.80	8.40	2.60	5.80	8.40
Nonresidential heating after credit	6.30	none	6.30	4.30	none	4.30
Residual petroleum products	6.10	5.80	11.90	6.10	5.80	11.90
Commercial gallonage after credit	6.10	none	6.10	6.10	none	6.10
Electric utility after credit	0.84	5.80	6.64	0.84	5.80	6.64
Nonresidential heating after credit	4.90	none	4.90	3.30	none	3.30
Railroad diesel fuel	8.80	4.05	12.85	8.80	4.05	12.85
Net rate after exemption/refund	7.50	none	7.50	7.50	none	7.50

Source: New York State Division of the Budget.

Tax Base. Generally, transactions that are excluded from the basic PBT base are also excluded from the supplemental tax base. Exemptions include sales for export from the State, sales of fuel oil for residential heating purposes and manufacturing use, and sales to government entities when such entities buy petroleum for their own use. Sales of kerosene (other than kero-jet fuel) and liquefied petroleum gas and sales of residual fuel oil used as bunker fuel also are exempted. Regulated electric utilities that use petroleum to generate electricity obtain credits or reimbursements to offset a portion of the basic tax. These utilities receive no credit or reimbursement with respect to the supplemental tax.

Legislative Changes. The Legislature has, from time to time, changed the percentage of the PBT basic tax which is available for distribution to the PBT Dedicated Funds Pool. The percentage of the PBT Dedicated Funds Pool which is, subject to appropriation, deposited in the MTA Dedicated Tax Fund has remained constant at 34 percent. The changes in the percentage of the PBT basic tax which is available for distribution to the PBT Dedicated Funds Pool have been designed to be, and were, revenue neutral to the PBT Dedicated Funds Pool.

Legislation effective September 1, 1994 added new exemptions and credits with respect to the PBT. To preserve dedicated funds revenue flows, the law increased the share of the PBT basic tax going to the PBT Dedicated Funds Pool from 54 percent to 59 percent.

Legislation enacted in 1995, effective September 1, 1995, effectively eliminated the supplemental tax imposed on aviation gasoline and kero-jet fuel and reduced the basic tax rate for those products to a rate that is equivalent to the supplemental rate. To maintain the first import system, which imposes the PBT tax on aviation gasoline upon importation, and to allow retail sellers of aviation gasoline to sell such product at the reduced rate, distributors of aviation gasoline must remit the full tax imposed on that product and may subsequently take a credit for the difference between the full rate and the reduced rate. In addition, effective January 1, 1996, the partial exemption provided for heating fuel oils that are for the exclusive use and consumption of certain not-for-profit organizations was expanded to a full exemption. To preserve dedicated funds revenue flows, the new law increased the share of the basic tax going to the PBT Dedicated Funds Pools from 59 percent to 62.8 percent, effective September 1, 1995, and from 62.8 percent to 63.3 percent effective April 1, 1996. Like the aforementioned changes made in 1994, these changes were designed to be revenue-neutral to the PBT Dedicated Funds Pool.

Legislation enacted in 1996, effective January 1, 1998, expanded the partial exemption provided for residual and distillate fuels used in manufacturing to a full exemption. In addition, such legislation provided: (i) rate reductions for diesel motor fuel used by motor vehicles, phased in on January 1, 1998 and April 1, 1999; (ii) a full exemption from the supplemental tax imposed on residual and distillate fuels used by the commercial sector for heating, effective March 1, 1997; (iii) a partial reduction in the basic tax and a full exemption from the supplemental tax imposed on diesel motor fuel used by railroads, effective January 1, 1997; and (iv) an increase in the credit against the basic tax for residual and distillate fuels used by utilities, effective April 1, 1999. Where applicable, the new rate structure maintains indexing by allowing the rates to be adjusted by the index and then subsequently reducing such rate, or increasing such credit, by a fixed cents per gallon rate. To preserve dedicated funds revenue flows, the 1996 legislation also increased the share of the basic tax going to the PBT Dedicated Funds Pool from 63.3 percent to 66.2 percent, effective January 1, 1997; from 66.2 percent to 68.1 percent, effective January 1, 1998; and from 68.1 percent to 69.8 percent, effective April 1, 1999.

Legislation enacted in 1999 reduced the PBT rate on commercial heating oil by 20 percent and provided for reimbursement of PBT tax imposed on fuels used for mining and extraction, effective April 1, 2001. To preserve dedicated funds revenue flows, the 1999 legislation increased the share of the basic tax going to the PBT Dedicated Funds Pool from 69.8 percent to 70.5 percent, effective April 1, 2001. Like the aforementioned changes made in 1994, 1995 and 1996, these changes were designed to be revenue-neutral to the PBT Dedicated Funds Pool.

Legislation adopted with the 2000-01 State Enacted Budget eliminated the PBT minimum taxes, effective March 1, 2001, and reduced the PBT rate on commercial heating oil by 33 percent, effective September 1, 2002. To save the PBT Dedicated Funds Pool harmless from these tax cuts, the legislation earmarked certain motor vehicle registration fees to the PBT Dedicated Funds Pool (*see* MTTF Receipts – Motor Vehicle Fees *below*). Legislation adopted with the 2000-01 State Enacted Budget and effective April 1, 2001, also increased revenues flowing to the PBT Dedicated Funds Pool by earmarking \$7.5 million of the PBT basic tax, which had been directed to the State General Fund, to the PBT Dedicated Funds Pool; increasing the percentage of the remaining basic tax receipts

earmarked to the PBT Dedicated Tax Funds Pool from 70.5 percent to 80.3 percent; and depositing receipts from the PBT carrier tax to the PBT Dedicated Tax Funds Pool. *See* MTTTF Receipts – Petroleum Business Carrier Tax *below*. The carrier tax is the PBT imposed on motor fuel and diesel motor fuel purchased outside New York and consumed within New York.

Tax Imposition and Payment. Imposition of the tax occurs at different points in the distribution chain, depending upon the type of product. The tax is imposed on motor fuels at the same time as the eight-cent-per-gallon motor fuel tax. Gasoline, which represents the preponderance of automotive fuel sales in the State, is taxed upon importation into the State for sale or upon manufacture in the State. Other non-diesel automotive fuels such as compressed natural gas, methanol and ethanol become subject to the tax on their first sale as motor fuel in the State. Automotive diesel motor fuel becomes taxed upon its first non-exempt sale or use in the State. Nonautomotive diesel fuel (such as No. 2 fuel oil used for commercial heating) and residual fuel usually become taxable on the sale to the consumer or upon use of the product in the State.

Most petroleum businesses remit this tax on a monthly basis. Taxpayers with yearly motor fuel tax and PBT liability totaling more than \$5 million now remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. The Department of Taxation and Finance advises that, in State Fiscal Year 2000-01, 29 taxpayers, accounting for almost 89 percent of all PBT receipts, participated in the electronic funds transfer program.

Aspects relating to the imposition and collection of the PBT have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers. *See* LITIGATION for a discussion of a recent case, *Moran Towing Corporation v. Urbach*. The Division of the Budget, based upon the decision in the foregoing case in the Appellate Division, Third Department, currently estimates that \$150,000 in recurring PBT revenues flowing to the MTA Dedicated Tax Fund could be adversely affected thereby. The one-time potential refund exposure for the PBT revenues allocated to the MTA Dedicated Tax Fund is similarly estimated at \$1.2 million.

Historical Summary of PBT Revenue

Since 1983, the State has substantially changed its taxation of petroleum businesses. These revisions altered collection mechanisms, modified tax bases, and increased the level of taxation. The most significant changes occurred in 1990 with the restructuring of a gross receipts tax to a cents-per-gallon tax and the indexing of the tax rates to maintain price sensitivity. Full-year revenue history under the gallonage-based PBT, therefore, only exists from State Fiscal Year 1991-92. Full-year collections of both the basic PBT and the supplemental PBT began in State Fiscal Year 1992-93.

The following table provides historical information since 1991 on the basic PBT and the supplemental PBT, the major funding source for the MTTTF.

Basic and Supplemental PBT Collections
(\$ millions)

<u>Collection Period</u>	<u>Basic PBT</u>	<u>Supplemental PBT</u>
State Fiscal Year 1991-92	\$501.6	\$244.3(a)
State Fiscal Year 1992-93(b)	600.2	399.5
State Fiscal Year 1993-94	572.3	389.9
State Fiscal Year 1994-95	534.3	365.4
State Fiscal Year 1995-96	534.7	365.1
State Fiscal Year 1996-97	552.3	371.7
State Fiscal Year 1997-98	565.9	384.0
State Fiscal Year 1998-99	602.0	409.9
State Fiscal Year 1999-00	587.2	398.0
State Fiscal Year 2000-01	562.4	389.3

(a) Imposed July 1, 1991.

(b) 1992 legislation accelerated remittance by the largest taxpayers.

Source: New York State Department of Taxation and Finance.

Several factors account for the changes in PBT revenues during the period referenced above. First, in State Fiscal Year 1991-92, the supplemental PBT was imposed effective July 1, 1991. Second, the gallonage tax rates, indexed to reflect petroleum price changes, rose substantially due to sizable price increases in petroleum products during late 1990. These tax rates rose about 20 percent on April 1, 1991, and more than 16 percent on January 1, 1992. The tax rate increases during this period more than offset declines in petroleum usage which resulted from the recession in the national and State economies. The rates were not revised in 1993, 1994 and 1995 as annual legislation eliminated any downward indexing of rates. Finally, legislation enacted in 1992 accelerated remittances from the largest taxpayers, which increased State Fiscal Year 1992-93 PBT revenues on a one-time basis. The decrease in State Fiscal Year 1993-94 PBT revenues from receipts in the prior year largely reflects the elimination of the effect of the one-time revenue gain in the prior year. The decrease in the 1994-95 State Fiscal Year receipts reflects the PBT exemptions and credits added in 1994; the unseasonably warm winter that reduced the demand for heating fuels in the commercial sector and residual fuel oil consumed by utilities; and the maintenance of low inventories due to the introduction and subsequent delay of the Federal reformulated gasoline program in areas of the State that chose to participate in the program.

Receipts for State Fiscal Year 1995-96 remained constant over the prior year. Robust growth in the consumption of automotive fuels, the surge in utility usage of residual fuels as a result of the severe winter, and the index-driven increase in the tax rates by more than four percent in the last quarter of the fiscal year were offset by the first full-year impact of the 1994 tax reductions and the part-year impact of the tax reductions implemented in 1995.

Receipts for State Fiscal Year 1996-97 reflect the index-driven rate increase of up to five percent, as offset by a slight decline in automotive fuel consumption and utility consumption of residual fuel after robust growth in these products in State Fiscal Year 1995-96, the full year effect of the 1995 tax reductions and the first year impact of the 1996 tax reductions.

Receipts for State Fiscal Year 1997-98 reflect more than two percent and four percent increases in gasoline and diesel consumption, respectively, and the return to a more moderate winter caused a decline in the consumption of residual fuel by utilities. Collections also reflect the annual indexing provisions that increased the 1996 rates by up to 5 percent on January 1, 1997 and the 1997 rates by up to 5 percent on January 1, 1998, and the impact of the 1996 legislative changes, as described above.

The healthy economy and low fuel prices produced an increase in New York State gasoline consumption of nearly three percent and diesel consumption of more than eight percent in State Fiscal Year 1998-99. The consumption of residual fuel for utilities grew dramatically in State Fiscal Year 1998-99 due to lower residual fuel prices relative to natural gas. PBT receipts for State Fiscal Year 1998-99 also reflect the annual indexing provisions

that increased the 1997 rates by up to 5 percent on January 1, 1998 and that decreased the 1998 rates by up to 5 percent on January 1, 1999.

Continued economic growth contributed to an increase in New York State motor gasoline and diesel consumption in State Fiscal Year 1999-2000. Consumption growth would have likely been even greater, absent higher fuel prices. Collections also reflect the annual indexing provisions that reduced PBT tax rates by up to 5 percent on January 1, 1999 and January 1, 2000. PBT receipts in 1999-2000 also reflect the impact of legislation enacted in 1996 that reduced tax rates on diesel motor fuel and fuels used for utilities, effective April 1, 1999.

Tax receipts in State Fiscal Year 2000-01 were \$16.4 million less than State Fiscal Year 1999-2000 mainly due to the economic slow down and high fuel prices. However, tax receipts from residual fuel used by utilities were higher due to the decrease in the relative price of residual fuel compared to natural gas. Tax collections for State Fiscal Year 2000-01 also reflect the 5 percent decrease in PBT rates that took effect on January 1, 2000, and the 5 percent increase effective January 1, 2001.

Actual and Estimated Revenues from Dedicated PBT

Actual receipts since State Fiscal Year 1994-95 and the Division of the Budget estimate of receipts from the dedicated PBT for State Fiscal Year 2001-02 are as set forth in the following table:

MTTF Revenues from PBT

State Fiscal Year	PBT Dedicated Funds Pool (\$ millions)	Dedicated Mass Transportation Trust Fund (MTTF) (\$ millions)	Transit Authority SIRTOA, LIRR and MNCRC Share of MTTF (\$ millions)
1994-95	\$663.7	\$245.6	\$225.7
1995-96	686.8	253.9	233.5
1996-97	720.7	266.7	245.0
1997-98	756.4	279.8	257.2
1998-99	814.8	301.5	277.0
1999-00	802.7	297.0	272.9
2000-01	776.7	287.4	264.1
2001-02(est.)	878.4	325.0	298.7

Source: New York State Division of the Budget.

Due to recent events, the estimate for 2001-02 is of necessity preliminary and is subject to adjustment as more information becomes available. In formulating its estimates for State Fiscal Year 2001-02, the Division of the Budget made various assumptions regarding income, gasoline prices and consumption, fuel efficiency of the motor vehicles in the State and certain demographic trends. Forecasts of these variables are generated by Division of the Budget's own economic models of the U.S. and State economies, and a forecast published by the federal Energy Information Administration (EIA). These assumptions were supplemented with year-to-date actual receipts. The estimate for PBT receipts from gasoline motor fuel is consistent with the consumption estimates used in forecasting motor fuel tax receipts. The PBT forecast also incorporates the indexing provisions that increased the rates by 5 percent on January 1, 2001, and that are expected to increase an additional 5 percent on January 1, 2002.

In formulating its estimate of PBT revenues from diesel motor fuel, the Division of the Budget relied upon its own forecast of nationwide economic conditions, as reflected in national gross domestic product, and upon indicators of New York business activity, and upon EIA. The estimate for PBT receipts from diesel motor fuel is also consistent with the consumption estimates used in forecasting motor fuel tax receipts.

After automotive fuels (gasoline and diesel motor fuel), residual fuel used in the generation of electricity by public utilities in the State is the second largest source of PBT revenues. Electric utility use of residual fuel oil now accounts for more than 5 percent of the dedicated PBT receipts. Residual fuel use by electric utilities is expected to increase in 2001-02 due to a decrease in the relative price of residual fuel compared to natural gas.

The balance of the tax consists of tax paid with respect to commercial usage of nonautomotive diesel fuel (middle distillate No. 2) and residual fuel oils (Nos. 4, 5 and 6 oils) and kero-jet fuel. The forecast anticipates that total tax collection from these fuels in State Fiscal Year 2001-02 will change slightly as the forecast projects an average winter and as these fuels continue to compete with less costly alternatives.

MTTF Receipts – Petroleum Business Carrier Tax

The State imposes a petroleum business carrier tax under the PBT on fuel purchased by motor carriers outside the State but consumed within the State. As a complement to the fuel use tax, the carrier tax is collected quarterly with the fuel use tax portion of the highway use tax. To increase the amount of revenue that flows to the MTA Dedicated Tax Fund, receipts from the carrier tax have been earmarked to the PBT Dedicated Funds Pool, effective April 1, 2001. Carrier tax receipts are estimated at \$19.6 million for State Fiscal Year 2001-02.

MTTF Receipts – Motor Fuel Tax

General

Motor fuel and diesel motor fuel taxes (MFT) are derived from an eight-cent-per-gallon excise tax levied with respect to gasoline and diesel motor fuels, generally for highway use. The aggregate rate of tax on gasoline was last changed on February 1, 1972, when it was increased from seven cents to eight cents per gallon. The aggregate rate of tax on diesel motor fuel was last changed on January 1, 1996, when it decreased from ten cents per gallon to eight cents per gallon.

Effective April 1, 2000, legislation enacted in 2000 earmarked 2.25 cents of the gasoline MFT and 4 cents of the diesel MFT to the PBT Dedicated Funds Pool, of which 34% is deposited in the MTA Dedicated Tax Fund. Effective April 1, 2001, legislation enacted in 2000 earmarked an additional 2.25 cents of the diesel MFT to the PBT Dedicated Funds Pool, of which 34% is deposited in the MTA Dedicated Tax Fund.

Currently, 1.75 cents of the aggregate eight cent per gallon gasoline and diesel fuel tax are earmarked for the Emergency Highway Construction and Reconstruction Fund and the Emergency Highway Reconditioning and Preservation Fund to pay the debt service on certain New York State Thruway Authority bonds, which bonds will be retired on March 1, 2003. Effective April 1, 2003, legislation adopted with the 2000-01 State Enacted Budget earmarks the 1.75 cents tax on gasoline and diesel motor fuels to the PBT Dedicated Funds Pool.

Tax Imposition and Payment. The tax on motor fuel is payable by distributors registered with the State. The gasoline motor fuel tax is imposed when gasoline is imported (or caused to be imported) into the State for sale or use in the State, or manufactured in the State. Generally, the tax on other nondiesel motor fuels earmarked to the PBT Dedicated Funds Pool (such as compressed natural gas, propane, methanol and ethanol) is remitted by the dealer selling them as motor fuels. The tax on diesel motor fuel is imposed on the first non-exempt sale of diesel in the State.

Most petroleum businesses remit these taxes on a monthly basis. Businesses with yearly MFT and PBT liability totaling more than \$5 million remit the PBT and MFT for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. In State Fiscal Year 2000-01, almost 94 percent of the MFT was paid by 29 taxpayers that participated in the electronic funds transfer program.

Although the tax is remitted by distributors, the incidence of the tax falls primarily on final users of the fuel on the highways and waterways of the State. Governmental purchases are exempt from the tax. Fuel purchased for certain road vehicles (such as fire trucks, buses used in local transit, taxicabs and ambulances), upon which the tax

has been paid, may be eligible for full or partial reimbursement of the MFT. Reimbursement of the tax is also available for fuel not used on the highways (e.g., fuel used in farming).

Actual and Estimated Revenues from Dedicated Motor Fuel Taxes

**MTTF Revenues from MFT
(\$ millions)**

State Fiscal Year	37 percent of 2.25 Cents/Gallon Gasoline MFT	37 percent of 6.25 Cents/Gallon Diesel MFT (a, b)	Dedicated Mass Transportation Trust Fund (MTTF)	Transit Authority, SIRTOA, LIRR and MNCRC Share of MTTF (c)
2000-01	\$46.7	\$11.4	\$58.1	\$53.4
2001-02(est.)	47.2	16.1	63.3	58.2

(a) 4 cents per gallon was earmarked to the PBT Dedicated Funds Pool in 2000-01.

(b) An additional 2.25 cents per gallon was earmarked to the Dedicated Funds Pool in 2001-02.

(c) This portion is 34 percent of the Dedicated Funds Pool.

Source: New York State Division of the Budget.

Due to recent events, the estimate for 2001-02 is of necessity preliminary and is subject to adjustment as more information becomes available. The estimate for State Fiscal Year 2001-02 reflects the 2001-02 Current Budget. In formulating the gasoline motor fuel tax estimate, the Division of the Budget relied principally upon relationships among gross domestic product, income, gasoline prices and gasoline demand that have been established by the Division of the Budget's own economic forecast and the EIA. Gasoline consumption is projected to increase moderately in 2001-02.

To develop the diesel MFT estimate, the Division of the Budget relied primarily on its own forecasts of New York economic conditions, as reflected in New York disposable personal income. Diesel consumption is projected to decline more than 10 percent in 2001-02.

MTTF Receipts – Motor Vehicle Fees

General

Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver license fees.

A percentage of State motor vehicle registration fees is earmarked to the MTA Dedicated Tax Fund. These motor vehicle fees derive from the registration of passenger vehicles, trucks, vans, motorcycles, trailers, semitrailers, buses and other types of vehicles operating on the public highways of the State.

The State Department of Motor Vehicles administers motor vehicle registration provisions of the State Vehicle and Traffic Law. County clerks in most counties act as agents for the State in administering the issuance of most types of motor vehicle registration. Motor vehicle registration renewals generally are accomplished by mail.

With the exception of buses, which are charged according to seating capacity, and semitrailers, which are currently registered at a flat fee of \$23, motor vehicle registration fees in the State are currently based on vehicle weight. Since July 1, 1998, passenger vehicles are registered at graduated annual rates of 64.5 cents per 100 pounds up to 3,500 pounds, and 97 cents for each 100 pounds over 3,500 pounds, with a maximum yearly registration fee of \$56.06. The yearly registration fee for trucks and light delivery vehicles is \$2.88 per 500 pounds of maximum gross weight. Tractors are registered at an annual fee of \$1.21 per 100 pounds of maximum gross weight. Motorcycles,

snowmobiles, all-terrain vehicles, ambulances, trucks used exclusively in the transportation of household goods, and other specialized vehicles have separate registration fee schedules.

Legislation enacted in 1989 mandated biennial registration of all motor vehicles weighing less than 18,000 pounds. Thus, most motor vehicle registrations are issued and renewed for two-year periods; registrations are staggered evenly throughout the months to ensure an even workload.

Pursuant to legislation enacted in 2000, effective April 1, 2001, 23.5 percent of certain motor vehicle registration fees is deposited in the PBT Dedicated Funds Pool. Effective April 1, 2002, that percentage will increase to 54.5 percent. The MTA Dedicated Tax Fund will receive 34 percent of such revenues. In addition, legislation enacted with the 2000-01 State Enacted Budget directs the Comptroller to deposit motor vehicle fees other than registration fees to the PBT Dedicated Funds Pool. The following table provides information related to the amount of motor vehicle fees dedicated to the MTTF.

Estimated and Projected Revenues From Motor Vehicle Fees
(\$ millions)

<u>State Fiscal Year</u>	<u>Registration Fees</u>	<u>Other Fees</u>	<u>Dedicated Mass Transportation Trust Fund (MTTF)</u>	<u>Transit Authority, SIRTOA, LIRR and MNCRC Share of MTTF (a)</u>
2001-02	\$30.4	\$ -0-	\$ 30.4	\$ 27.9
2002-03	67.2	10.5	77.7	71.4
2003-04	67.4	25.1	92.5	85.0
2004-05	67.4	62.9	130.3	119.7

(a) This portion is 34 percent of the Dedicated Funds Pool.

Source: New York State Division of the Budget.

MMTOA Account — Special Tax Supported Operating Subsidies

General

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 State special 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 MTOA Fund, to fund the operations of mass transportation systems. The MMTOA Account was established in the MTOA Fund to fund the operating expenses of transportation systems in the Transportation District, including the Transit Authority, MaBSTOA and the commuter railroads operated by the MTA. Payments from this Account are made to the MTA and its affiliates periodically to the extent that: (i) appropriations are made by the Legislature, (ii) the State Director of the Budget certifies that the Account contains sufficient funds to make such payments, and (iii) State officials determine that the funds are necessary to finance operations of the MTA and its affiliates and subsidiaries. Such payments are allocated among the various public transportation systems within the Transportation District in accordance with schedules as specified by such appropriations. Such payments to the MTA are first deposited in the Pledged Amounts Account of the MTA Dedicated Tax Fund to meet the requirements of the Existing DTF Resolution and then any remaining amounts are transferred to the Operating and Capital Costs Account to be used to meet operating costs of the Transit System and SIRTOA and the Commuter System.

Since the creation of the MMTOA Account, the MTA in each year has requested and received significant payments from the MMTOA Account in order to meet operating expenses of the Transit System and Commuter System. It is expected that payments from the MMTOA Account will continue to be essential to the operations of the Transit System and Commuter System. The table below summarizes the historical amounts appropriated and paid to the MTA from the MMTOA Account (including investment income) for State Fiscal Years 1991-92 through 2000-01.

State Fiscal Year	MMTOA Account	
	Appropriations to Authority (\$ mils)	Payments to Authority** (\$ mils)
1991-92	\$ 647.5*	\$ 620.1
1992-93	671.7*	708.9
1993-94	717.6	679.1
1994-95	747.8	830.5
1995-96	673.4*	673.4
1996-97	655.4*	655.4
1997-98	719.8*	689.8
1998-99	848.6*	878.6
1999-00	907.2*	818.6
2000-01	755.2*	755.2
2001-02	755.2*	755.2 (est.)

* Does not include \$162.5 million, \$28.2 million, \$128.0 million, \$141.6 million, \$155.1 million, \$155.1 million, \$155.1 million and \$155.1 million appropriated to the MTA in State Fiscal Years 1991-92, 1992-93, and 1995-96 through 2001-2002, respectively, through the Section 18-b program; in all other years shown the Section 18-b program was funded from the State's General Fund.

** Payments to the MTA in certain years may be in excess of the amount appropriated for that year due to the payment in that year of amounts appropriated, but not paid, in prior years.

Although a variety of taxes have been used to fund the special tax supported operating subsidies, the taxes levied for this purpose currently include the MMTOA PBT, the District Sales Tax, the Franchise Taxes and the Temporary Franchise Surcharge (MMTOA Taxes), all described in more detail below. State law gives State officials the authority to disburse funds to the MTA from the MMTOA Account to the extent such officials determine that the funds are necessary to finance operations of the Transit System and SIRTOA and the Commuter System. Fluctuations in the economic and demographic conditions of the Transportation District are directly related to the growth of economically sensitive taxes, including the District Sales Tax and the Temporary Franchise Surcharge. Therefore, there can be no assurance that such taxes will generate tax receipts at current levels. If shortfalls are experienced in the collection of MMTOA Taxes, the Commissioner of Transportation is authorized to reduce each recipient's payment from the MTOA Fund proportionately. The MTA has historically received approximately 89 percent of such amounts deposited in the MMTOA Account.

MMTOA PBT

General. The products that are subject to the tax, the tax rates and the transactions excluded from such tax are identical to the basic PBT as described above under MTTF Receipts--Dedicated Petroleum Business Tax which is dedicated to the MTTF.

As described above in Dedicated PBT Revenues, legislation in 1994, 1995, 1996 and 1999 added new exemptions and credits and certain rate reductions with respect to the MMTOA PBT. To preserve dedicated funds revenue flow such legislation increased the share of the PBT basic tax earmarked to the MTOA Fund. As a result, the share of the PBT basic tax earmarked to the MMTOA Account increased from 9.735 percent to 10.230 percent, effective September 1, 1994; from 10.230 percent to 10.560 percent, effective September 1, 1995; from 10.560 percent to 10.615 percent, effective April 1, 1996; from 10.615 percent to 10.725 percent effective January 1, 1998; and from 10.725 percent to 10.835 percent effective April 1, 2001. However, legislation enacted in 1995 diverted

excess MTOA Fund balances to the Revenue Accumulation Fund for deposit in the State's General Fund. As a result, an amount equivalent to the MMTOA PBT receipts deposited into the MMTOA Account in State Fiscal Year 1994-95 was deposited in the General Fund in State Fiscal Year 1995-96. In addition, during State Fiscal Year 1995-96 the MMTOA share of basic PBT receipts was deposited directly to the Revenue Accumulation Fund for deposit in the State's General Fund.

As described above in Dedicated PBT Revenues, aspects relating to the imposition and collection of the MMTOA PBT have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

Historical Summary of MMTOA PBT. The following table provides historical information relating to MMTOA PBT receipts deposited into the MMTOA Account from State Fiscal Years 1991-92 through 2000-01 and estimated receipts for State Fiscal Year 2001-02.

<u>State Fiscal Year</u>	<u>Net Receipts (\$ mils)</u>
1991-92	\$45.2
1992-93	54.8
1993-94	56.4
1994-95	53.0
1995-96*	0.0
1996-97	58.1
1997-98	59.5
1998-99	63.8
1999-00	62.2
2000-01	60.4
2001-02 (est.)	66.9

* As described above, during State Fiscal Year 1995-96, the MMTOA PBT receipts were directed to the State's General Fund. Source: New York State Division of the Budget.

District Sales Tax

General. 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 the Transportation District.

District Sales Tax receipts have been a significant source of tax receipts deposited in the MMTOA Account. The level of District Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the Transportation District, and therefore there can be no assurance that historical data with respect to collections of the District Sales Tax will be indicative of future receipts.

The base of the District Sales Tax is identical to the base of the State's 4 percent sales and compensating use tax. The tax now applies to (1) sales and use of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and for specified admissions and services. The base of the tax has been amended periodically by the Legislature, with changes such as the following: inclusion of interstate printing and mail order businesses in 1989; inclusion of charges for interior decorating services and motor vehicle parking in 1990; inclusion of prewritten computer software in 1991; exemption for meteorological services in 1995; temporary exemptions for certain clothing and footwear in 1997, 1998 and 1999 and the first quarter of 2000; exemptions for college textbooks and certain computer system hardware in 1998; and expanded exemptions for equipment used to provide telecommunications services for sale in 1999.

Legislation enacted in 1997 and modified in 1998 and 1999 permanently exempts clothing and footwear costing less than \$110 from State sales and use tax. Under this legislation, the District Sales Tax on such clothing and footwear is removed in those counties and cities which opt to exempt such items from local sales tax within

their jurisdictions. Pursuant to the Tax Law, localities opting to remove their tax must reimburse the MMTOA Account for one-half of the foregone District Sales Tax revenue, while the State will provide the other half. Thus, the MMTOA Account is expected to be held harmless from the impact of the clothing and footwear exemption.

Administrative actions also have affected District Sales Tax revenues. Since December 1992, the State has required vendors with yearly State and local sales and use tax liability totalling more than \$5 million to remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th day of the following month. District Sales Tax receipts benefited from this change in the method of sales tax payment by \$4.5 million in the State's 1992-93 Fiscal Year. Legislation in 1994 and 1995 expanded the electronic funds transfer program by lowering the threshold of participation from \$5 million to \$4 million, and from \$4 million to \$1 million, respectively. In State Fiscal Years 1994-95 and 1995-96, District Sales Tax receipts received a small one-time benefit from such legislation.

During the middle of State Fiscal Year 1995-96, the method of depositing monthly District Sales Tax receipts to the MMTOA Account was modified. As a result, District Sales Tax Receipts in State Fiscal Year 1995-96 include a one-time increase of \$20 million that reflects the early deposit of estimated portions of monthly receipts that historically have been deposited to the MMTOA Account in the following month.

Historical Summary of District Sales Tax. The following table provides historical information relating to District Sales Tax receipts deposited into the MMTOA Account from State Fiscal Years 1991-92 through 2000-01. Due to recent events, the estimate for 2001-02 is of necessity preliminary and is subject to adjustment as more information becomes available. As noted above, the MMTOA Account will be held harmless from revenue losses due to the March 1, 2000 permanent clothing and footwear exemption.

<u>State Fiscal Year</u>	<u>Net Receipts (\$ mils)</u>	<u>Held Harmless Amount (\$ mils)</u>	<u>Total</u>
1991-92	\$ 231.3	\$ -0-	\$ 231.3
1992-93	241.6	-0-	241.6
1993-94	248.2	-0-	248.2
1994-95	263.6	-0-	263.6
1995-96	293.2	-0-	293.2
1996-97	289.1	-0-	289.1
1997-98	305.9	-0-	305.9
1998-99	321.4	-0-	321.4
1999-00	345.6	-0-	345.6
2000-01	368.2	10.8	379.0
2001-02 (est.)	375.8	15.4	391.2

Source: New York State Division of the Budget.

Franchise Taxes

General. A legislatively allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies), consisting of (a) an annual franchise tax based on the amount of the taxpayer's issued capital stock, and (b) an annual franchise tax on the taxpayer's gross earnings from all sources calculated to be in the State pursuant to statutory formulae are deposited in the MMTOA Account.

State Tax Law formerly required that 40 percent of the moneys collected from such taxes be deposited in the MMTOA Account. For State Fiscal Year 1996-97, 48 percent of such moneys were required to be so deposited. The percentage of such deposit increased to 54 percent in calendar years 1998 and 1999, 64 percent in 2000, and to 80 percent thereafter. These changes were made to preserve the dedicated funds revenue flow subsequent to changes enacted in 1995 reducing the base of the gross earnings tax and enacted in 1996 and 1997 reducing the tax

rates. Other legislation enacted in 1995 diverted excess MTOA Fund balances to the Revenue Accumulation Fund for deposit in the State's General Fund. As a result, an amount equivalent to 34.4 percent of such Franchise Taxes collected in State Fiscal Years 1994-95 and 1995-96 was so diverted to the General Fund in State Fiscal Year 1995-96; in 1995-1996 such amount was deposited directly to the Revenue Accumulation Fund.

Historical Summary of the Franchise Taxes. The following table provides historical information relating to the portion of Franchise Tax receipts deposited into the MMTOA Account from State Fiscal Years 1991-92 through 2000-01 and estimated receipts for State Fiscal Year 2001-02. Receipts for 1996-97 were lower than recent trends would indicate due to accounting adjustments made in 1996. Legislation exempting non-local telephone companies from Section 184 was passed in July 1995 effective for calendar year 1995. Non-local telephone companies had already remitted their payments on the Franchise Taxes in March and June of 1995 prior to the enactment. Such moneys not owed for the Franchise Taxes in 1995 were therefore credited to the companies' Section 186-e excise tax accounts. This crediting occurred in July and August, 1996. A one-time election to remain under the taxes imposed on trucking and railroad companies was enacted in 1996 for elections made before March 15, 1998. Companies not electing to remain under Sections 183 and 184 were taxed under the general corporate franchise tax. As part of the same legislation, the Section 184 rate was reduced from 0.75% to 0.6% on gross earnings. The MMTOA revenue distribution was held harmless. Additional rate reductions occurred beginning in 1998 but do not affect MMTOA.

<u>State Fiscal Year</u>	<u>Net Receipts (\$ mils)</u>
1991-92	\$ 56.8
1992-93	66.4
1993-94	73.9
1994-95	74.9
1995-96	9.2*
1996-97	51.8
1997-98	73.1
1998-99	64.9
1999-00	70.5
2000-01	70.1
2001-02 (est.)	69.0

* As noted above, an amount equivalent to 34.4% of the Franchise Taxes collected in State Fiscal Years 1994-95 and 1995-96 was directed to the State's General Fund in State Fiscal Year 1995-96.

Source: New York State Division of the Budget.

Temporary Franchise Surcharge

General. The Temporary Franchise Surcharge is imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, utility, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within the Transportation District. This surcharge was originally imposed in 1982, has been extended eight times since then, and is currently scheduled to expire at the end of the last fiscal year of such entities ending prior to December 31, 2005; thus for calendar-year taxpayers no payments for 2005 will be due in 2005 unless the surcharge is further extended by the State Legislature. In accordance with Section 171-a of the 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 such taxes are received.

Aspects relating to the imposition and collection of the Temporary Franchise Surcharge have from time to time been, are currently and may continue to be the subject of administrative claims and litigation by taxpayers. The financial impact of such challenges commenced to date has not been and is not expected to be material.

Historical Summary of the Temporary Franchise Surcharge. The following table provides historical information relating to the Temporary Franchise Surcharge receipts deposited into the MMTOA Account from State Fiscal Years 1991-92 through 2000-01 and estimated receipts for State Fiscal Year 2001-02.

<u>State Fiscal Year</u>	<u>Net receipts (\$ mils)</u>
1991-92	\$488.1
1992-93	472.4
1993-94	550.7
1994-95	427.9
1995-96	518.3
1996-97	560.2
1997-98	600.8
1998-99	547.0
1999-00	586.9
2000-01	563.2
2001-02 (est.)	509.7

Source: New York State Division of the Budget.

Temporary Franchise Surcharge receipts increased in State Fiscal Year 1991-92 and thereafter as a result of the rate increase enacted in mid-1991 affecting certain utilities. The exceptionally strong 1993 earnings performance of the financial services industry in New York City was the primary reason for the sharp increase in State Fiscal Year 1993-94 collections. Because of both weakness in 1994 tax liability in the financial services sector located in the New York City metropolitan region, and the late enactment of the 1995 legislation (which was made retroactive) to extend the surcharge, collections declined dramatically in State Fiscal Year 1994-95. However, the strong growth in the financial services sector in 1995 and the rollover of payments from State Fiscal Year 1994-95 due to the enactment of the retroactive legislation, contributed to a substantial increase in collections in State Fiscal Year 1995-96. Both continued growth in the financial services sector and extraordinary audits in bank tax collections increased surcharge receipts in State Fiscal Year 1996-97, despite reduced collections from the utility and insurance taxes. State Fiscal Year 1998-99 collections declined from 1997-98 levels, primarily from higher corporation franchise tax refunds and reduced utility and bank taxes collections. State Fiscal Year 2000-01 collections declined as the multi-year tax reductions continued to take effect. Similarly, receipts in 2001-02 are expected to decline due to continuing tax reductions.

PART III. OTHER INFORMATION ABOUT THE SERIES 2001A BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2001A Bonds.

TAX MATTERS

General

Hawkins, Delafield & Wood is Bond Counsel for the Series 2001A 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 2001A 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 2001A Bonds is exempt from personal income taxes of New York State or any political subdivision of the State. See **Attachment 6** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2001A Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2001A Bonds that MTA must continue to meet after the Series 2001A Bonds are issued. These requirements generally involve the way that Series 2001A Bond proceeds must be applied and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2001A 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 of 1986.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2001A 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 2001A Bonds.

A bondholder that is in any of these categories 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 2001A Bonds or affect the market price of the Series 2001A Bonds. For example, the Internal Revenue Code of 1986 could be changed.

Original Issue Discount

Each maturity of the Series 2001A Bonds will have "original issue discount" if the price paid by the first purchasers of substantially all of such bonds is less than the principal amount of these Series 2001A Bonds. Bond Counsel's opinion is that the original issue discount on these Series 2001A Bonds as it accrues is not included in a bondholder's federal gross income under the Internal Revenue Code of 1986. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these

Series 2001A Bonds will be increased. If a bondholder owns one of these Series 2001A Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2001A Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2001A Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in a Series 2001A Bond will be reduced. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2001A Bond with bond premium, even though the Series 2001A Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2001A Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2001A Bonds 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 Series 2001A Bonds.

LITIGATION

There is no pending litigation concerning the bonds being offered, except for litigation relating to a portion of the PBT and the motor fuel tax described below.

In *Moran Towing Corporation v. Urbach*, petitioners allege that the tax imposed pursuant to Section 301-a on fuel purchased out of State and consumed in State is unconstitutional. In a decision and order dated October 7, 1999, Supreme Court, Albany County found that petitioners failed to establish that tax law sections 301(a)(1)(ii) and 301-a(b)(2) and (c)(1)(B) were facially unconstitutional and that the proceeding must be dismissed for failure to exhaust administrative remedies. In an opinion and order dated June 7, 2001, the Appellate Division, Third Department overturned the decision and order of the Supreme Court, Albany County and declared that tax law sections 301(a)(1)(ii) and 301-a(b)(2) and (c)(1)(B) are unconstitutional. On September 20, 2001, the Court of Appeals dismissed the State’s appeal on the ground that the order appealed from did not finally determine the proceeding.

It is not possible to predict with certainty the outcome of litigation, including this litigation. There can be no assurances that future court decisions, including a final decision in *Moran Towing Corporation*, and judicially mandated remedies will not have the effect of materially reducing the flow of revenues to the Dedicated Tax Fund. In such an event, the State may, but is not obligated to, consider remedial actions, including but not limited to, restructuring revenues available to the Dedicated Tax Fund.

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 holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** – “THE RELATED ENTITIES – Litigation,” as that filing may be amended or supplemented to date.

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2001A Bonds and the debt restructuring. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2001A 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 2001A Bonds.

UNDERWRITING

The Underwriters for the Series 2001A Bonds, acting through Morgan Stanley & Co. Incorporated, as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2001A Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$559,712,718.64, reflecting a net original issue premium of \$8,610,694.95 and an Underwriters’ discount of \$3,002,976.31 and to reoffer such Series 2001A Bonds at the public offering prices or yields set forth on the inside cover page.

The Series 2001A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2001A Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2001A Bonds if any Series 2001A Bonds are purchased.

RATINGS

The Summary of Terms on page (ii) identifies the ratings of the credit rating agencies that have assigned their ratings to the Series 2001A Bonds. Those ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch, Inc. One State Street Plaza New York, New York 10004 (212) 908-0500	Moody’s Investors Service, Inc. 99 Church Street New York, New York 10007 (212) 553-0300	Standard & Poor’s Ratings Services 55 Water Street New York, New York 10041 (212) 438-2000
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MTA has furnished to each rating agency rating the bonds being offered information, including information not included in this official statement, about MTA and the bonds. Generally, rating agencies base their ratings on that information and on independent investigations, studies and assumptions made by each rating agency. There can be no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances warrant the revision or withdrawal. Those circumstances may include, among other things, changes in or unavailability of information relating to MTA or the bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the bonds.

If, at the time of issuance, the bonds being offered are credit enhanced, the ratings on the bonds will generally reflect the rating of the bank or bond insurer providing credit enhancement for the bonds.

LEGAL MATTERS

All legal proceedings in connection with the issuance of the bonds being offered are subject to the approval of the nationally-recognized bond counsel firm identified on the cover page and in the Summary of Terms on page (ii). The form of the opinion of Bond Counsel is **Attachment 6** to this official statement.

Certain legal matters regarding MTA will be passed upon by its General Counsel. In addition, certain legal matters will be passed upon by MTA's special counsel or the counsel to the Underwriters, or both.

CONTINUING DISCLOSURE

As more fully stated in **Attachment 5**, MTA has agreed to provide certain financial information and operating data by no later than 120 days following the end of each fiscal year. That information is to include, among other things, information concerning MTA annual audited financial statements prepared in accordance with generally accepted accounting principles, or if unavailable, unaudited financial statements will be delivered until audited statements become available. In addition, MTA has agreed to provide the State's annual audited financial statements prepared in accordance with generally accepted accounting principles when available from the State, or if unavailable, unaudited financial statements when available from the State will be delivered until audited statements become available from the State. MTA has undertaken to file such information with each Nationally Recognized Municipal Securities Information Repository and a New York State Information Depository (SID), if and when one is established.

MTA has further agreed to deliver notice to each Repository or the Municipal Securities Rulemaking Board (MSRB) and to the SID of any failure to provide the Annual Information. MTA is also obligated to deliver notices of the following events, if material, to each repository, or to the MSRB or the SID:

- principal and interest delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax exempt status of the security;
- modifications to the rights of security holders;
- bond calls;
- defeasance;
- release, substitution, or sale of property securing repayment of the securities; and
- rating changes.

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

ATTACHMENT 1

ADDENDUM TO APPENDIX A

This Addendum to Appendix A is dated November 16, 2001, and contains certain recent developments to the information contained in Appendix A occurring since the date thereof which MTA deems relevant to the bonds issued pursuant to this official statement. This Addendum contains information only through its date. Capitalized terms used herein not otherwise defined herein shall have the meanings set forth in Appendix A.

TERRORIST ATTACK ON WORLD TRADE CENTER

General

On September 11, 2001, two hijacked passenger jetliners flew into the World Trade Center (WTC), resulting in a substantial loss of life, destruction of WTC and damage to other buildings in the vicinity. The attack also resulted in disruption of public transportation and business and displacement of residents and businesses in the immediate vicinity of WTC. It is expected that the destruction of WTC will have a substantial impact on the City and its economy. Reduced economic activity is expected to lower corporate profits, increase job losses and reduce consumer spending.

Certain portions of the MTA regional transportation operations were affected as more fully described below. The estimates of damages, loss of revenues and increase in expenses resulting from the terrorist attack were made by MTA on November 15, 2001 and, unless otherwise indicated, have not been updated since that date. MTA continues to assess the long-term impact of, among other things, the attack and its aftermath on state subsidies generated by regional economic transactions, such as the regional sales and use tax and certain business taxes. All estimates of the adverse impact on the MTA and the regional economy are of necessity preliminary and are subject to adjustment as more information becomes available. As more information becomes known, MTA will provide revised estimates in its periodic filings with the municipal market and may provide more frequent updates as the fiscal and economic ramifications of the terrorist attack become more clear.

Transit System

Property Damage. The most significant damage occurred to the #1 and #9 subway tunnel directly under WTC, including line equipment, signals, communications, tunnel lighting, power facilities and fan plants. Approximately 1,800 feet of tunnel was destroyed. There was also damage to the subway stations located at Cortlandt Street, Rector Street, Chambers Street and Wall Street. There was minor damage to twelve subway cars. A limited number of buses were destroyed and 30 were damaged. There was no interruption in the use of the MetroCard fare collection system.

On October 28, 2001, the Transit Authority resumed service on the N/R line, though the Cortlandt Street station in the immediate vicinity of WTC remains closed. The resumption of service on the N/R line enabled the Transit Authority to resume normal service on certain other lines. The Cortlandt Street, Rector Street and South Ferry stations on the #1 line will remain closed for an unspecified period of time.

MTA estimates that the cost of the property damage to the Transit System will total \$855 million.

Loss of Revenue. MTA estimates that the Transit System will lose operating revenues of \$37.0 million in 2001 and \$80.1 million in 2002. Part of the loss for 2001 was a result of the suspension of fare collection on September 11 and the sharp reduction in ridership in the days immediately following the attack. Preliminary results indicate that fewer discretionary (non-work related) trips are being made.

Increase in Expenses. MTA estimates that expenses will increase by \$36.2 million in 2001 and \$68.1 million in 2002 due primarily to increased service and equipment costs for rescue efforts and debris removal, added security and customer information costs.

TBTA Facilities

Property Damage and Traffic Interruption. None of TBTA's facilities were damaged. However, some of the bridges and tunnels have been subject to closure and/or restrictions on traffic. Most notably, the Brooklyn Battery Tunnel was closed in both directions until October 13, 2001, when it was opened to out-bound traffic only. In addition, traffic going into the City through the Queens Midtown Tunnel has been restricted to multiple occupancy vehicles during certain morning hours. MTA expects that such closure and restrictions will be terminated when conditions in the City, and particularly at WTC, permit. There was no interruption in the use of the EZPass system.

Loss of Revenue. MTA estimates that TBTA will lose \$32.0 million in revenues in 2001 and \$52.9 million in 2002, due primarily to the full and/or partial closure of the Brooklyn Battery Tunnel and the restrictions on traffic at the Queens Midtown Tunnel. The restrictions at the Queens Midtown Tunnel have been slightly offset by increased traffic at the Triborough Bridge.

Increase in Expenses. MTA estimates that expenses will increase by \$6.7 million in 2001 due primarily to overtime labor costs for security and traffic management, cleanup costs for the Brooklyn Battery Tunnel and Battery Parking Garage and emergency electricity generation. MTA estimates that expenses will increase by \$5.9 million in 2002 due primarily to upgrading the communications and electrical systems.

Commuter System

Property Damage. None of LIRR's or MNCRC's facilities were damaged.

Loss of Revenue. MTA estimates that the commuter railroads will lose \$12.7 million in revenues in 2001 and \$24.5 million in 2002. MNCRC has experienced some reduction in Grand Central trips, particularly during off-peak hours. LIRR experienced reduction in the days immediately after the terrorist attack, but westbound peak ridership appears to have returned to fall 2000 levels and there are indications that ridership growth experienced from fall 2000 to September 10, 2001 is starting to be recaptured as well.

Increase in Expenses. MTA estimates that expenses will increase by \$1.1 million in 2001 due primarily to labor and vehicle costs and emergency busing costs. MTA does not expect that there will be additional significant expenses to the commuter railroads in 2002. The cost of added police coverage on the commuter railroads is reflected below as an MTA Headquarters expense payable from mortgage recording tax subsidies.

MTA Headquarters And Other Related Entities

Property Damage. Except for minor damage at the 2 Broadway office building, there was no damage to any of the facilities of MTA Headquarters, MSBA or SIRTOA.

Loss of Revenue. MTA estimates that there will be a minimal, if any, loss of revenues for the other MTA agencies for 2001 and 2002.

Increase in Expenses. MTA estimates that expenses will increase by \$12.5 million in 2001 due to overtime labor costs for police coverage and the cleanup of the 2 Broadway office building. MTA estimates that expenses will increase by \$10.1 million in 2002 to reflect the hiring of additional police officers.

Insurance and Other Coverage

At the time of the terrorist attack, the Related Entities maintained layers of property damage insurance, including business interruption coverage, in the aggregate amount of \$1.5 billion per occurrence, subject to a \$15

million deductible. Those policies expired on October 31, 2001. MTA is in the process of finalizing its submission of certain claims, including loss of revenues at the Transit System, TBTA and the other Related Entities. MTA expects to file claims with the Federal Emergency Management Agency (FEMA) and the State Emergency Management Office (SEMO) for damages that are not covered by the insurance policies. No assurances can be given that the amounts available under the insurance policies and from FEMA and SEMO will be sufficient to compensate the Related Entities in full for the aggregate damages caused by the attack on WTC, including loss of revenues and increases in expenses.

Current property insurance policies expired on October 31, 2001. MTA is in the process of obtaining renewal property damage (including business interruption) insurance for the period beginning November 1, 2001, and the insurers and reinsurers have informed MTA that it can expect to receive substantially less coverage for greater premiums and that renewal insurance policies will exclude terrorism coverage. The MTA is in the process of obtaining approximately \$500 million of such insurance (with a \$30 million deductible) effective November 2001, and expects to add insurance coverage as it becomes commercially available at reasonable cost.

Cash Flow Borrowing

MTA has negotiated a bank line of credit for up to \$600 million in anticipation of the receipt of insurance proceeds and FEMA and SEMO moneys. MTA's obligation to repay the line of credit is a general obligation payable from available moneys, including certain securities serving as collateral.

Estimate of Revisions in 2001-2002 Financial Plan

Prior to the terrorist attack on WTC, economic conditions in the New York City region had begun to deteriorate. The 2000-2004 Financial Plan adopted by the MTA Board in March, 2001, provided for a 2001 cash surplus of \$29.0 million and a 2002 cash gap of \$143.6 million (consisting of a baseline gap of \$228.3 million and projected budget cuts of \$84.7 million), for a combined two-year gap of \$114.6.

In early September, 2001, prior to the attack on WTC, MTA estimated that the downturn in the regional economy would cause budgeted State tax subsidies (including MTA Dedicated Tax Fund Revenues and the urban tax as more fully described below) to be reduced by \$101.4 million (consisting of an approximately \$200 million reduction in the MTA Dedicated Tax Fund Revenues that would be offset by approximately an additional \$100 million in the urban tax). Additional service, maintenance and other needs increased budgeted expenses by \$82.8 million. However, favorable revenue receipts and expense reductions offset these amounts by \$33.3 million, thereby leaving a revised two-year gap of \$265.5 million. In late September, MTA estimated that the terrorist attack on WTC increased that cash gap to \$796.1 million (which includes the expense increases and loss of revenues described above, as well as a decrease in State subsidies). On November 15, 2001, MTA estimated that the gap was \$274.9 million, after taking into account expected insurance recoveries, additional debt service savings and other actions which were not reflected in the earlier numbers. This gap may be further increased due to, among other things, a worsening of the regional economy.

MTA expects that all or a substantial portion of this remaining gap could be provided for by, among other things, the following:

- special Federal assistance to cover claims not regularly covered by FEMA,
- additional savings in debt service costs resulting from the debt restructuring,
- expense reductions at the Related Entities, and
- new governmental aid and other resources.

Reduction in MTA Dedicated Tax Fund Revenues

MTA estimates that the MTA Dedicated Tax Fund Revenues will be reduced by \$21.2 million in 2001 and an additional \$45.1 million in 2002.

The State Division of the Budget estimates set forth in the official statement under the caption THE MTA DEDICATED TAX FUND REVENUES are based upon conclusions formed independently based upon their own methodology and assumptions.

ATTACHMENT 2

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2001A SERIES RESOLUTION

The following section contains definitions of certain terms used in this official statement and a general summary (Summary) of certain provisions of the Supplemental Resolution. The definitions and summary are not to be considered a full statement of all terms used in this official statement or the terms of the Supplemental Resolution and, accordingly, are qualified by reference to and are subject to the full text of the official statement and the Supplemental Resolution. A copy of the Supplemental Resolution may be obtained upon request from the MTA.

Special Provisions Regarding the Insurer

Insurer shall mean Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

Policy shall mean the municipal bond new issue insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Series 2001A Bonds.

Pursuant to the Supplemental Resolution relating to the Series 2001A Bonds, as long as any Series 2001A Bonds are outstanding and are insured as to the payment of principal and interest pursuant to the Policy and the Insurer is not in default in respect of any of its obligations under such Policy, among other things: (i) the Insurer shall be deemed the sole holder of the Series 2001A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2001A Bonds are entitled to take pursuant to Article X (pertaining to defaults and remedies) and Article VII (pertaining to the Trustee and the Paying Agent); and (ii) any modification or amendment of the Existing DTF Resolution which either requires the consent of the Holders of the Series 2001A Bonds or affects the rights of the Insurer shall be subject to the prior written consent of the Insurer.

ATTACHMENT 3

SUMMARY OF CERTAIN PROVISIONS OF THE PROPOSED DTF RESOLUTION, INCLUDING STANDARD RESOLUTION PROVISIONS

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE DEDICATED TAX FUND OBLIGATION RESOLUTION

The following sections contain definitions of certain terms used in this official statement when describing the Proposed DTF Resolution and a general summary (Summary) of certain provisions of the Proposed DTF Resolution. The definitions and Summary are not to be considered a full statement of all terms used in this official statement or the terms of the Proposed DTF Resolution and, accordingly, are qualified by reference to and are subject to the full text of the official statement and the Proposed DTF Resolution. A copy of the Proposed DTF Resolution may be obtained upon request from the MTA.

PART I

Definitions

Capital Cost Obligations shall mean Obligations authenticated and delivered on original issuance.

Capital Costs shall mean (i) the costs of the Issuer or any other Related Entity for the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of all or any part of the DTF Transit and Commuter Project, including costs of acquisition of real or personal property or any interests therein, legal, administrative, engineering, planning, design, studies, insurance, financing costs (including Costs of Issuance), and initial working capital required for the commencement of operation of any such project and any capital contributions, whether or not represented by equity or debt securities or other evidences of indebtedness made by the Issuer or any other Related Entity to any Person participating in a DTF Transit and Commuter Project for the purpose of funding any costs described in this clause (i); (ii) amounts paid into any Fund or Account upon the issuance of any Obligations; and (iii) payment when due (whether at the maturity of principal or on the due date of interest or upon redemption or when otherwise due, including by purchase or through tender or exchange) on any indebtedness or obligation of the Issuer or any other Related Entity which was issued or incurred to finance costs that could at the time of such payment be funded directly under the Resolution, including Obligations, Obligation Anticipation Notes, Parity Debt, Subordinated Indebtedness, Subordinated Contract Indebtedness, any termination or other payments for financial hedging arrangements, or any such indebtedness or obligation issued or incurred by any Related Entity in connection with the DTF Transit and Commuter Project.

COI Subaccount shall mean the applicable Subaccount by that name established in the Proceeds Fund for a Series of Obligations.

Debt Service Fund shall mean the Fund by that name established in the Resolution consisting of an MTF Receipts DS Account and an MMTOA Receipts DS Account.

Debt Service Year shall mean the 12 month period commencing on April 1 of each calendar year and ending on March 31 of the next succeeding calendar year except that the first Debt Service Year shall begin on the date specified in the Supplemental Resolution authorizing the first Series of Obligations to be issued under the Resolution.

Dedicated Mass Transportation Trust Fund or **MTTF** shall mean the fund established pursuant to Section 89-c of the State Finance Law, as amended, and entitled the "Dedicated Mass Transportation Trust Fund".

DTF Transit and Commuter Project shall mean any Transportation District Project that may be financed with obligations the payment of which may be secured by and paid from amounts in the MTA Dedicated Tax Fund in accordance with Section 1270-c of the Issuer Act.

Events of Default shall mean the events defined as such in the Resolution and described under the caption “Events of Default.”

Issuer shall mean the MTA.

MMTOA Account shall mean 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, as amended.

MMTOA Receipts shall mean all amounts deposited into the MTA Dedicated Tax Fund from amounts on deposit in the MMTOA Account pursuant to Section 88-a of the State Finance Law, as amended, or any other provision of law directing or permitting the deposit of money into the MTA Dedicated Tax Fund from such Account.

MMTOA Receipts DS Account shall mean the Account by that name established in the Debt Service Fund.

MMTOA Receipts Subaccount shall mean the Subaccount by that name established in the Pledged Amounts Account in the MTA Dedicated Tax Fund by the Issuer as authorized by the Resolution.

MTA Dedicated Tax Fund shall mean the Metropolitan Transportation Authority Dedicated Tax Fund established by the Issuer pursuant to Section 1270-c of the Issuer Act.

MTTF shall mean the Dedicated Mass Transportation Trust Fund.

MTTF Debt Service Account Requirement shall mean, with respect to each Series of Obligations and as of any date, an amount equal to the sum of (a) all interest and Principal Installments due and unpaid on any Obligations of such Series and on any Parity Debt as of such date and (b) an amount, calculated as of the last day of the month in which such calculation is made, equal to the sum of (i) the product of (A) the interest portion of Debt Service due on or in respect of all Outstanding Obligations of such Series and any Parity Debt as of the next succeeding interest payment date for such Series of Obligations and (B) a fraction, the denominator of which is never less than 1, but otherwise is 1 less than the number of months from the preceding interest payment date for the Obligations of such Series to the next interest payment date for such Obligations (or the date from which interest began to accrue on such Obligations if there is no preceding interest payment date for such Obligations), and the numerator of which is the number of months which will have elapsed as of the last day of the month in which such calculation is made from such preceding interest payment date for such Obligations (or the date from which interest began to accrue on such Obligations if there is no preceding interest payment date for such Obligations), and (ii) 10% of the Principal Installment (including in each case for purposes of this definition, principal components of Parity Debt) due on or in respect of such Obligations and Parity Debt on the next succeeding Principal Installment due date (20% for Principal Installments payable 6 months after the preceding Principal Installment) times the number of months which have elapsed since the preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date or such preceding Principal Installment due date is more than 1 year prior to the due date of such Principal Installment, then, from the later of a date 1 year preceding the due date of such Principal Installment and the date of, as appropriate, issuance or incurrence of the Obligations of such Series or of such Parity Debt); provided, however, that the amount calculated pursuant to clause (b)(i) above for any Series of Obligations shall never exceed the interest due and payable on such next succeeding interest payment date (including additional interest pursuant to any related Parity Debt) and the amount calculated pursuant to clause (b)(ii) shall never exceed the Principal Installment due on the next succeeding Principal Installment due date. For purposes of computing the MTTF Debt Service Account Requirement, the Obligations of a Series and any Parity Debt payable on each different interest payment date shall be treated as a separate Series, and if Obligations of any Series or any Parity Debt have different interest payment dates, such computation shall be done separately in respect of each such interest payment date.

MTTF Receipts shall mean all amounts deposited into the MTA Dedicated Tax Fund from amounts on deposit in the Dedicated Mass Transportation Trust Fund pursuant to subdivision (d) of Section 301-j of the Tax

Law, as amended, Section 312(b) of the Tax Law, as amended, and any other provision of law directing or permitting the deposit of money on deposit in the Dedicated Mass Transportation Trust Fund into the MTA Dedicated Tax Fund.

MTTF Receipts DS Account shall mean the account by that name established in the Debt Service Fund.

MTTF Receipts Subaccount shall mean the Subaccount by that name established in the Pledged Amounts Account in the MTA Dedicated Tax Fund by the Issuer.

Obligations shall mean any bonds, notes, commercial paper or other form of indebtedness of the Issuer payable from the Debt Service Fund, authorized and delivered pursuant to the Resolution but excluding Obligation Anticipation Notes to the extent payable from, and expected by an Authorized Officer to be paid from, the proceeds of Obligations or other Obligation Anticipation Notes.

Operating and Capital Costs Account shall mean the account by that name established in the MTA Dedicated Tax Fund pursuant to Section 1270-c of the Issuer Act.

Pledged Amounts Account shall mean the account by that name established in the MTA Dedicated Tax Fund by the Issuer pursuant to Section 1270-c of the Issuer Act.

Prior Lien Obligations shall mean obligations of the Issuer outstanding pursuant to the Prior Lien Resolution.

Prior Lien Resolution shall mean the Issuer's Dedicated Tax Fund Bond Resolution adopted by the Issuer on July 31, 1996, as amended and supplemented.

Proceeds Fund shall mean the Fund by that name established in the Resolution.

Refunding Obligations shall mean all Obligations authenticated and delivered on original issuance.

Resolution shall mean the Dedicated Tax Fund Obligation Resolution (including the Standard Resolution Provisions set forth in Annex A to the Resolution), as from time to time amended or supplemented by Supplemental Resolutions.

Standard Resolution Provisions shall mean the Standard Resolution Provisions appended to the Resolution as Annex A.

Subaccount or Subaccounts shall mean each subaccount or all of the subaccounts established in the Resolution, as the case may be.

Trust Estate shall mean, collectively, but subject to the terms and provisions of the Resolution, all right, title and interest of the Issuer in:

(i) the proceeds of the sale of the Obligations,

(ii) the Pledged Amounts Account in the MTA Dedicated Tax Fund, any money on deposit therein and any money received and held by the Issuer which is required to be deposited therein, and

(iii) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; provided, however, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

(Section 102)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 101)

Authorization of the Obligations

The Resolution authorizes Obligations of the Issuer designated as “Dedicated Tax Fund Obligations”, which may be issued in one or more Series or subseries. Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations which convert on a particular date or dates from Taxable Obligations to Tax-Exempt Obligations, or as Taxable Obligations which are mandatorily exchangeable on a particular date or dates for Tax-Exempt Obligations, or otherwise as determined by Supplemental Resolution. The Obligations shall be special obligations of the Issuer payable solely from the Trust Estate pledged to the payment thereof pursuant to the first paragraph of the section of the Resolution summarized under the caption “The Pledge Effected by the Resolution”. The aggregate principal amount of the Obligations which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as may from time to time be limited by law.

(Section 201)

General Provisions for Issuance of Obligations

The Opinion of Bond Counsel required by the Resolution for the issuance of obligations shall be to the effect that the Obligations are valid and binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Issuer Act as amended to the date of such Opinion of Bond Counsel.

(Section 202)

Special Provisions for Capital Cost Obligations

The Obligations may be issued to pay, or to provide for the payment of, all or part of the Capital Costs included in a Capital Program Plan (within the meaning of the Issuer Act) if a Capital Program Plan is then required.

The Obligations of each such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee of:

1. A certificate of an Authorized Officer to the effect that the Issuer then is, and, upon the authentication and delivery of the Obligations of such Series, shall be, in compliance with all applicable provisions of the Issuer Act relating to the issuance, sale and delivery of such Obligations;

2. A certificate of an Authorized Officer

- (A) setting forth for any 12 consecutive calendar months ended not more than 6 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) setting forth 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 for purposes of clause (ii) of paragraph (5) of the second paragraph of the section of the Resolution summarized under the caption “Special

- Provisions for Refunding 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 or Prior Lien Obligations; and
- (C) stating (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) hereof is not less than 1.35 times the amount set forth in accordance with clause (B) hereof and (y) that the sum of the MTTF Receipts, MMTOA Receipts, and investment income set forth in clause (A) hereof is not less than 2.5 times the amount set forth in clause (B) hereof;

provided, however, that (I) if, on the date of delivery of such certificate, there is then and thereafter required to be deposited into the MTA Dedicated Tax Fund so as to constitute MTTF Receipts or into the MMTOA Account so as to constitute MMTOA Receipts or into the Pledged Amounts Accounts any other receipts, in each such case any amounts which were not required to be deposited therein during the entire 12 month period to which such certificate relates, the Issuer may include in such certificate the amount which an Authorized Officer estimates would have been deposited in the MTA Dedicated Tax Fund or the MMTOA Account during such period if such amounts had been required to be so deposited for such period; and (II) if, on the date of delivery of such certificate, the percentage of any amount collected by the State required to be deposited into the MTA Dedicated Tax Fund so as to constitute MTTF Receipts or into the MMTOA Account so as to constitute MMTOA Receipts is other than the percentage which was in effect for all or any portion of the 12 month period to which such certificate relates, the Issuer may include (but in the case of any decrease in the percentage, shall include) in such certificate for such entire 12 month period the amount which an Authorized Officer estimates would have been deposited in the MTA Dedicated Tax Fund or the MMTOA Account if such other percentage had been in effect for such entire 12 month period.

(Section 203)

Special Provisions for Refunding Obligations

In addition to refinancings permitted under the Resolution, Refunding Obligations may be issued to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Obligations or Parity Debt.

The Refunding Obligations of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee, in addition to the documents required by the section of the Resolution summarized under the caption "General Provisions for Issuance of Obligations," of:

- (1) If the Obligations or Parity Debt to be refunded are to be redeemed, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice of redemption of all the Obligations or Parity Debt so to be refunded on a redemption date specified in such instructions;
- (2) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the Resolution, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice in the manner provided in the Resolution with respect to the payment of the said Obligations or Parity Debt;
- (3) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the Resolution, (i) money and/or (ii) Defeasance Securities as shall be necessary to comply with the provisions of the Resolution or defeasance securities as shall be necessary with respect to Parity Debt, which Defeasance Securities (or defeasance securities) and money shall be held in trust and used only as provided in the Resolution;
- (4) If the proceeds of such Series of Refunding Obligations are to be utilized by the Issuer to purchase (in connection with a tender for or redemption of Obligations or Parity Debt, or otherwise) Obligations or Parity Debt to be delivered to the Trustee in satisfaction of a Sinking Fund Installment in

accordance with the Resolution, a certificate of an Authorized Officer specifying the matters required thereby; and

(5) Either (i) a certificate of an Authorized Officer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations (including the Refunding Obligations then proposed to be issued but excluding the Obligations or Parity Debt to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations as calculated immediately prior to the issuance of the Refunding Obligations (including the Obligations or Parity Debt to be refunded or purchased but excluding the Refunding Obligations) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations set forth pursuant to (B) above; or (ii) the certificate provided for in clause (2) of the second paragraph of the section of the Resolution summarized under the caption “Special Provisions for Capital Cost Obligations” with respect to such Series of Refunding Obligations, considering for all purposes of such certificate that such Series of Refunding Obligations is a Series of Capital Cost Obligations and that the Refunding Obligations then proposed to be issued will be Outstanding but the Obligations or Parity Debt to be refunded will no longer be Outstanding.

(Section 204)

Obligations to Refund Pre-existing Indebtedness

Obligations may be issued for the purpose of refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) or substituting the security or sources of payment for any Pre-existing Indebtedness.

Any Series of Obligations issued for the purpose of refunding any Pre-existing Indebtedness shall be so authenticated and delivered only upon receipt by the Trustee, in addition to the documents required by the Resolution, of an Opinion of Bond Counsel to the effect that such Pre-existing Indebtedness has been exchanged, paid or is deemed to have been paid within the meaning and with the effect expressed in the related authorizing resolution or other document, which opinion may rely upon a certificate of an Authorized Officer or an independent verification agent to the effect that sufficient money and defeasance securities have been placed in escrow to provide for the payment of the principal or Redemption Price of, and interest on, such Pre-existing Indebtedness as such obligations mature, are tendered for purchase or exchange, or are called for redemption in accordance with the related authorizing resolution or other document. The proceeds received on the sale of such Obligations shall be applied in the manner provided in the Supplemental Resolution authorizing such Obligations and in any related escrow agreement.

(Section 205)

Redemption at Demand of the State or the City

Except as otherwise provided pursuant to a Supplemental Resolution, either the State or the City may, upon furnishing sufficient funds therefor, require the Issuer to redeem all or any portion of the Obligations as provided in the Issuer Act.

(Section 401)

The Pledge Effected by the Resolution

There are pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, the Obligations and, on a parity basis, Parity Debt, in accordance with their terms and the

provisions of the Resolution, 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, all right, title and interest of the Issuer in the Trust Estate. *The pledge created by the Resolution, insofar as it relates to any portion of the Trust Estate pledged pursuant to the Prior Lien Resolution is (i) subordinate in all respects to the pledge thereof created pursuant to such Prior Lien Resolution and (ii) subject to the covenants and agreements made with the holders of obligations outstanding under the Prior Lien Resolution; and, so long as the lien of the Prior Lien Resolution remains, no payment shall be made from the Trust Estate, whether for interest, principal or premium on any of the Obligations, except as and to the extent permitted by the Prior Lien Resolution. In order to provide for the payment of the Obligations and Parity Debt and the fulfillment of its covenants and agreements under the Resolution so long as the lien of the Prior Lien Resolution remains, the Issuer shall, subject to the provisions of the Prior Lien Resolution, (i) transfer or cause to be transferred pursuant to the Prior Lien Resolution, free and clear of the lien and pledge of the Prior Lien Resolution, all amounts available to be transferred in accordance with the terms of the Prior Lien Resolution in order to fulfill the requirements of the third paragraph of the section of the Resolution summarized under the caption "MTA Dedicated Tax Fund; Application Thereof" and (ii) transfer or cause to be transferred pursuant to the Prior Lien Resolution, free and clear of the lien and pledge of the Prior Lien Resolution, all amounts available to be transferred in accordance with the terms of the Prior Lien Resolution in order to fulfill the requirements of the fourth paragraph of the section of the Resolution summarized under the caption "MTA Dedicated Tax Fund; Application Thereof".*

The pledge created by the previous paragraph shall in all respects secure on a pari passu basis all of the Obligations and Parity Debt and, except as expressly so provided, nothing contained in the Resolution shall be deemed to confer on the Owners of any Obligations or Parity Debt any rights in the Trust Estate superior or inferior to the Owners of any other Obligations or Parity Debt.

The pledge created by the first paragraph of this caption shall be valid and binding from and after the date of issuance and delivery of the first Obligations, and the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

Subject to the provisions of the first paragraph of this caption, the Trust Estate and the MTTF Receipts and MMTOA Receipts are 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 Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken.

Nothing contained in this caption shall be construed as limiting any authority granted to the Issuer elsewhere in the Resolution to issue or incur Obligation Anticipation Notes, Subordinated Indebtedness or Subordinated Contract Obligations or shall be deemed a limitation upon the authority of the Issuer to issue any other bonds, notes or other obligations under the Issuer Act secured by any income and funds other than the Trust Estate.

(Section 501)

Establishment of Funds, Accounts and Subaccounts

The Resolution establishes the Proceeds Fund, which shall be held and administered by the Issuer.

Established within the Proceeds Fund, which shall be held and administered by the Trustee, are:

the Debt Service Fund consisting of

- (i) the MTTF Receipts DS Account, and
- (ii) the MMTOA Receipts DS Account.

Amounts held at any time by the Issuer or the Trustee in any of the Funds or Accounts established pursuant to this Section shall be held in trust separate and apart from all other funds. Subaccounts may be established by the Issuer in its discretion within the Accounts established pursuant to this Section upon the written direction of an Authorized Officer or by Supplemental Resolution. Additional funds, accounts or subaccounts may be created for other purposes upon the written direction of an Authorized Officer.

(Section 502)

Proceeds Fund and Application Thereof

There shall be established within the Proceeds Fund a separate account (“Proceeds Account”) for each Series of Obligations and within each such Account a separate COI Subaccount. Additional Subaccounts may be established by certificate of an Authorized Officer within each such Proceeds Account.

The Issuer shall pay into the Proceeds Fund and each Proceeds Account, if any, and each Subaccount, if any, such amounts as shall be provided for by Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes. The portion of any such amount determined by Supplemental Resolution to be used for the payment of Costs of Issuance shall be paid into and disbursed from the related COI Subaccount.

Unless otherwise provided for in a Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes, amounts in each Proceeds Account, if any, and each Subaccount, if any, shall be applied solely to the payment of Capital Costs in the manner and upon such conditions, if any, as the Issuer may provide in such Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes; provided, however, that, subject to any priority for Obligation Anticipation Notes, if on any interest payment date or Principal Installment due date the amounts in the Debt Service Fund shall be less than Debt Service payable on such date, the Issuer shall apply amounts from the Proceeds Fund to the extent necessary to make up the deficiency.

(Section 503)

MTA Dedicated Tax Fund; Application Thereof

The Issuer has previously established in accordance with Section 1270-c of the Issuer Act the MTA Dedicated Tax Fund held by the Issuer consisting of a Pledged Amounts Account and an Operating and Capital Costs Account.

So long as any Obligations are Outstanding under the Resolution, and subject to the provisions of any Supplemental Resolution governing any Subordinated Indebtedness from time to time Outstanding, the Issuer shall establish and maintain in the Pledged Amounts Account an MTTF Receipts Subaccount and a MMTOA Receipts Subaccount. All MTTF Receipts shall be immediately deposited into the MTTF Receipts Subaccount and all MMTOA Receipts shall be immediately deposited into the MMTOA Receipts Subaccount. Amounts held at any time by the Issuer in the Pledged Amounts Account or any Subaccount therein shall be held in trust separate and apart from all other funds.

Amounts deposited in the MTTF Receipts Subaccount shall be immediately applied by the Issuer as follows:

first, transfer to the Trustee for deposit in the MTTF Receipts DS Account the amount necessary so that the amount on deposit in the MTTF Receipts DS Account shall equal the MTTF Debt Service Account Requirement;

second, transfer, free and clear of any lien, pledge or claim of the Resolution, to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations for payment of, or accrual for payment of, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation; and

third, transfer, in the discretion of the Issuer, free and clear of any lien, pledge or claim of the Resolution, any remaining MTTF Receipts into the Operating and Capital Costs Account or as otherwise required or permitted by law.

After all amounts, if any, then on deposit in the MTTF Receipts Subaccount have been applied as set forth above, amounts in the MMTOA Receipts Subaccount shall be immediately applied by the Issuer as follows:

first, transfer to the Trustee for deposit in the MMTOA Receipts DS Account the amount necessary so that the sum of the amounts on deposit in the MTTF Receipts DS Account and the MMTOA Receipts DS Account shall equal the MTTF Debt Service Account Requirement; and

second, transfer, free and clear of any lien, pledge or claim of the Resolution, to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations for payment of, or accrual for payment of, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation; and

third, transfer, in the discretion of the Issuer, free and clear of any lien, pledge or claim of the Resolution, any remaining MMTOA Receipts into the Operating and Capital Costs Account or as otherwise required or permitted by law.

Investment income, if any, received on any amounts in any Subaccount in the Pledged Amounts Account shall be retained in such Subaccount and treated as either MTTF Receipts or MMTOA Receipts for purposes of this caption.

Amounts deposited into the Operating and Capital Costs Account shall be applied by the Issuer as provided in the Issuer Act.

(Section 504)

Debt Service Fund

The Trustee shall deposit, upon receipt thereof, (i) into the MTTF Receipts DS Account all amounts transferred to the Trustee by the Issuer for deposit therein in accordance with the third paragraph of the section of the Resolution summarized under the caption "MTA Dedicated Tax Fund; Application Thereof" and (ii) into the MMTOA Receipts DS Account all amounts transferred to the Trustee by the Issuer for deposit therein in accordance with the fourth paragraph of the section of the Resolution summarized under the caption "MTA Dedicated Tax Fund; Application Thereof".

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Obligations and any related Parity Debt, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment (including the portion thereof payable in respect of a Parity Reimbursement Obligation) payable on such due date; and (iii) on or before any redemption date for the Obligations or Parity Debt which occurs on any interest payment date, the amount required for the payment of interest on the Obligations or Parity Debt then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof. In making such payment from the Debt Service Fund the Trustee shall apply to such payments, first, any amounts on deposit in the MTTF Receipts DS Account, and, second, to the extent necessary, any amounts on deposit in the MMTOA Receipts DS Account.

If on any date the sum of the amounts on deposit in the MTTF Receipts DS Account and the MMTOA Receipts DS Account exceeds the MTTF Debt Service Account Requirement calculated as of such date, the Trustee shall, unless directed by the Issuer not to make such application or transfer, first apply any or all of such excess to cure or reduce any deficiency then existing in any Fund or Account under the Resolution and then transfer any and all of the remaining amount of such excess on deposit in the MMTOA Receipts DS Account to the Issuer for

deposit, in the discretion of the Issuer, into the Operating and Capital Costs Account or as otherwise required or permitted by law free and clear of any lien, pledge and claim under the Resolution.

In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon the direction of the Issuer, (a) withdraw from the MMTOA Receipts DS Account all or any portion of the amounts accumulated therein with respect to the Debt Service on the Obligations being refunded and deposit such amounts, free and clear of any lien, pledge or claim of the Resolution, with itself as Trustee or with an escrow agent to be held in trust solely for the purchase, exchange or payment of the principal or Redemption Price, if applicable, of and interest on the Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Obligations, or (c) deposit such amounts in any Fund or Account established under the Resolution; provided, however, that no such withdrawal or deposit shall be made unless (i) upon such refunding, the Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) at the time of and giving effect to such withdrawal and refunding, there shall exist no deficiency in any Fund or Account established under the Resolution.

In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon direction of the Issuer, withdraw from the MTTT Receipts DS Account all or any portion of the amounts accumulated therein with respect to Debt Service on the Obligations being refunded and (a) deposit such amounts, free and clear of any lien, pledge or claims of the Resolution, with itself as Trustee or with an escrow agent to be held in trust solely for the payment of the principal and Redemption Price, if any, of and interest on the Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Obligations, (c) deposit such amounts in any Fund or Account established under the Resolution, or (d) pay such amounts over to the Issuer free and clear of any lien, pledge or claim under the Resolution for deposit, in the discretion of the Issuer, into the Operating and Capital Costs Account or as otherwise required or permitted by law; provided, however, that no such withdrawal or deposit shall be made unless (i) upon such refunding, the Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, (ii) at the time of and giving effect to such withdrawal and refunding, no amounts shall be on deposit in the MMTOA Receipts DS Account and there shall exist no deficiency in any Fund or Account established under the Resolution.

(Section 505)

Subordinated Indebtedness; Subordinated Contract Obligations

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer pursuant to clause "second" of either or both of the third or fourth paragraphs of the section of the Resolution summarized under the caption "MTA Dedicated Tax Fund; Application Thereof"; provided, however, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Obligations and Parity Debt and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness and Subordinated Contract Obligations as it deems appropriate.

The Issuer shall have the right to covenant with Persons to whom Subordinated Contract Obligations run and with the holders from time to time of Subordinated Indebtedness in order to add to the conditions, limitations and restrictions under which any additional Capital Cost Obligations or Refunding Obligations may be issued or Parity Debt may be incurred; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness or the incurrence of such Subordinated Contract Obligations shall not permit the holders of such obligations to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable prior to any time that all Obligations and Parity Debt have become due and payable.

(Section 506)

Compliance with Laws Relating to Appropriation and Related Matters

The Issuer covenants and agrees to take all actions on its part and to comply with all laws required for the Issuer to receive any amounts appropriated to the MTA Dedicated Tax Fund including subdivision 3 of Section 89-c of the State Finance Law. The Issuer further covenants to request the transfer into the MTA Dedicated Tax Fund of amounts on deposit in the MMTOA Account when needed to pay Debt Service or to set aside amounts for the payment of Debt Service.

(Section 602)

Agreement of the State; No Bankruptcy

In accordance with Section 1271 of the Issuer Act, the Issuer includes the pledge and agreement of the State with the Owners of the Obligations that the State will not limit or alter the denial of authority under subdivision 9 of Section 1269 of the Issuer Act, or the rights vested in the Issuer by the Issuer Act to fulfill the terms of any agreement made with such Owners, or in any way impair the rights and remedies of such Owners until such agreements, bonds, notes and obligations with such Owners, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Issuer is liable in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged; provided, however, nothing contained in this Section or elsewhere in the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes producing revenues for deposit in the Dedicated Mass Transportation Trust Fund, the MMTOA Account or the appropriations relating thereto.

(Section 603)

Events of Default

Each of the following events constitutes an “Event of Default” under the Resolution:

(1) There shall occur a default in the payment of principal, Sinking Fund Installment, interest or premium on any Obligation after the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of 30 days.

(2) There shall occur a failure to observe, or a refusal to comply with, the terms of the Resolution or the Obligations, other than a failure or refusal constituting an event specified in any other paragraph under this caption and other than a failure to make all or any portion of any required deposit into any Fund or Account which failure is the result of the fact that the Issuer has not received sufficient MTTF Receipts or MMTOA Receipts, as appropriate, to make such deposit; provided, however, that such failure or refusal shall have continued for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, and provided further that if the failure stated in the notice cannot be remedied within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Issuer within such period and is being diligently pursued.

(3) The State or any Final Judgment shall limit or alter the denial of authority under subdivision 9 of Section 1269 of the Issuer Act to the Issuer or, subject to the proviso under the caption “Agreement of the State; No Bankruptcy,” shall limit or alter the rights and powers vested in the Issuer by the Issuer Act to fulfill the terms of any agreements made by it with the holders of any notes, bonds, or lease or other obligations, or in any way impair the rights and remedies of such holders until such agreements and all such obligations, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Issuer is liable in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

(4) The pledge created in the section of the Resolution summarized under the caption “The Pledge Effected by the Resolution” shall, at any time and for any reason, cease to be in full force and effect or a Final Judgment shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in

any material respect the lien it purports to establish, or that the pledge is not for the benefit of the Owners of the Obligations and Parity Debt, subject to the rights of no other parties (other than holders of Prior Lien Obligations, Obligation Anticipation Notes and, to the extent provided in the section of the Resolution summarized under the caption "Subordinated Indebtedness and Subordinated Contract Obligations," Subordinated Indebtedness and Subordinated Contract Obligations.

(Section 701)

Powers of Trustee

In the event that any Event of Default specified above shall occur and be continuing, the Trustee may, and, upon written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, shall, in its name,

- (1) by suit, action or proceeding in accordance with the civil practice law and rules, enforce all rights of the Owners of Obligations;
- (2) bring suit upon the Obligations against the Issuer;
- (3) by action or suit, require the Issuer to account as if it were the trustee of an express trust for the Owners of the Obligations; or
- (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Obligations.

Subject to the provisions of the Resolution and the foregoing provisions under this caption, the remedies conferred upon or reserved to the Trustee in respect of any Event of Default are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute; provided, however, that the Trustee or the Owners of the Obligations shall not have the right to declare all Obligations to be immediately due and payable. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice as may be expressly required in the Resolution.

The Trustee shall in addition to the foregoing powers, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Resolution or incidental to the general representation of Owners of Obligations in the enforcement and protection of their rights.

The Issuer covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Issuer and all other records relating to the Trust Estate shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and, upon demand of the Trustee, the Issuer will account, as if it were the trustee of an express trust, for the Trust Estate for such period as shall be stated in such demand.

(Section 702)

Priority of Payments After Default

In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Obligations and for payments then due with respect to Parity Debt, such funds (excluding funds held for the payment or redemption of particular Obligations which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and

premium, if any, and interest on any series of Obligation Anticipation Notes) and any other money received or collected by the Fiduciaries, or the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the amounts to be received under the Resolution or otherwise to protect the interest of the Owners of the Obligations, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

- (1) Unless the principal of all of the Obligations shall have become due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Obligations and the interest components of Parity Debt in the order of the maturity of such installments and interest components, and, if the amount available shall not be sufficient to pay in full any installments and interest components due on the same date, then to the payment thereof ratably, according to the amounts due on such installments and interest components, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Obligations and Parity Debt; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Obligations and the principal component of Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Obligations and Parity Debt due on any date, then to the payment thereof ratably, according to the amounts of principal and Redemption Price and principal component due on such date, to the Persons entitled thereto, without any discrimination or preference.

- (2) If the principal of all of the Obligations and the principal component of Parity Debt shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations and Parity Debt without preference or priority of principal or principal component over interest or interest component or of interest or interest component over principal or principal component, or of any installment of interest or interest component over any other installment of interest or interest component, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discretion or preference except as to any difference in the respective rates of interest specified in the Obligations and Parity Debt.

(Section 703)

PART II

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this official statement when describing the Proposed DTF Resolution and a general summary (Summary) of certain provisions of the Standard Resolution Provisions of the Proposed DTF Resolution. The definitions and Summary are not to be considered a full statement of all terms used in this official statement or the terms of the Standard Resolution Provisions or the Proposed DTF Resolution and, accordingly, are qualified by reference to and are subject to the full text of the official statement and the Standard Resolution Provisions and the Proposed DTF Resolution. Copies of the Standard Resolution Provisions and the Proposed DTF Resolution may be obtained upon request from the MTA.

Definitions

Accrued Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service with respect to all Obligations and Parity Debt, calculating the accrued Debt Service with respect to each obligation at an amount equal to the sum of (i) as estimated by an Authorized Officer, interest on the Obligations and interest components of Parity Debt accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Obligations and Parity Debt next due which would have accrued (if deemed to accrue in the manner set forth in the definition of "Debt Service") to the end of such calendar month. For purposes of calculating Debt Service Fund deposits, Principal Installments shall not include amounts that an Authorized Officer has notified the Trustee are to be paid from sources other than Revenues, nor shall Accrued Debt Service include any amounts that, as certified by an Authorized Officer, have been set aside under the Resolution or otherwise in trust for the payment thereof.

Authorized Investment shall mean and include any of the following, to the extent the same are legal for investment of the Issuer's funds:

- (1) obligations of the State or the United States government;
- (2) obligations the timely payment of the principal and interest on which are unconditionally guaranteed by the State or the United States government;
- (3) certificates of deposit of banks or trust companies in the State, secured, if the Issuer shall so require, by obligations of the United States or of the State of a market value equal at all times to the amount of the deposit;
- (4) banker's acceptances with a maturity of 90 days or less which are eligible for purchase by the federal reserve banks and whose rating at the time of purchase is in the highest Rating Category of each of the Rating Agencies that then rates such banker's acceptances;
- (5) obligations of any bank or corporation created under the laws of either the United States or any state of the United States maturing within 270 days, provided that such obligations are rated in the highest Rating Category of each of the Rating Agencies that then rates such obligations;
- (6) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, ratings in the highest Rating Category of each of the Rating Agencies that then rates such agency or its obligations;

- (7) (A) general obligation bonds and notes of any state other than the State, provided that such bonds and notes are rated in the highest Rating Category of each of the Rating Agencies that then rates such bonds and notes, and (B) bonds and notes of any county, town, city, village, fire district or school district of the State, provided that such bonds and notes are rated in either of the 2 highest Rating Categories of each of the Rating Agencies that then rates such bonds and notes;
- (8) mutual funds registered with the United States Securities and Exchange Commission, whose investments are limited to obligations of the State described in clause (i) above, obligations the principal and interest of which are guaranteed by the State as described in clause (ii) above, and those securities described in clause (vii) above, and that are rated in the highest Rating Category of each of the Rating Agencies that then rates such funds;
- (9) repurchase agreements with any dealer or bank, which agreement is secured by any one or more of the securities described in clauses (i), (ii) or (vi) above, which securities shall (A) at all times have a market value of not less than the full amount held or invested pursuant to the agreement and (B) be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian, that is independent from the dealer or bank with whom the repurchase agreement is executed; and
- (10) any other investment in which the Issuer is authorized from time to time to invest under applicable law with respect to which an Authorized Officer has, on or before the date thereof, delivered to the Trustee (A) a certificate to the Trustee designating the additional investment as an Authorized Investment and (B) Rating Confirmation.

In addition to the foregoing, in the case of any money held in reserve and sinking funds “Authorized Investments” shall include any other securities in which the trustee or trustees of any public retirement system or pension fund has the power to invest the money thereof pursuant to Article four-a of the Retirement and Social Security Law of the State, each such reserve and sinking fund being treated as a separate fund for the purposes of Article four-a of the Retirement and Social Security Law of the State.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized securities depository.

Authorized Officer shall mean (i) the Chairman and the Vice Chairman, (ii) the Executive Director, the Comptroller, the Chief Financial Officer, the Secretary and any Assistant Secretary of the Issuer, (iii) the Chief Financial Officer, the Director of Finance, and the Director of Budgets and Financial Management of the MTA, and (iv) any other Person authorized by the Issuer to perform the act or sign the document in question.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Business Day shall mean any day of the year other than (i) Saturday or Sunday, (ii) any day on which Banks located in New York, New York or the city in which the principal office of the Trustee is located are required or authorized by law to remain closed, or (iii) any day on which the New York Stock Exchange is closed.

Calculated Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Obligations or any Parity Debt, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

- (1) Interest on Variable Interest Rate Obligations shall be based on the Estimated Average Interest Rate applicable thereto.

(2) Interest on any Obligation or Parity Debt in respect of which the Issuer has entered into a Qualified Swap shall be based on:

- (A) the fixed rate or rates of the Qualified Swap if the Issuer has entered into what is generally referred to as a “floating-to-fixed” Qualified Swap (where the Issuer pays a fixed rate and receives a floating rate); or
- (B) the lower of (i) the Estimated Average Interest Rate and (ii) the effective capped rate of any Obligation or Parity Debt if the Issuer has entered into a Qualified Swap that is generally referred to as an “interest rate cap” (where the Issuer receives a payment if a variable rate exceeds a certain amount); or
- (C) the Estimated Average Interest Rate of the Qualified Swap if the Issuer has entered into either what is generally referred to as a “fixed-to-floating” Qualified Swap (where the Issuer pays a variable rate and receives a fixed rate) or a “floating-to-floating” Qualified Swap (where the Issuer pays a variable rate and receives a different variable rate).

(3) With respect to Put Obligations and any Obligations of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(4) If the Issuer has irrevocably deposited Authorized Investments or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Authorized Investments and money shall be deducted from Debt Service.

(5) If the Issuer has, at any time, irrevocably called for redemption one or more Series of Obligations, including pursuant to a covenant to apply any portion of the Trust Estate to redeem Obligations or Parity Debt (which particular Obligations or Parity Debt need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(6) With respect to Parity Reimbursement Obligations, accelerated payments of principal shall only be taken into account if, at the time of calculation, such amounts are payable due to a draw under a credit or liquidity facility.

Capital Appreciation Obligations shall mean any Obligations denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Obligations. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Obligation is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Obligation in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Obligation shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Obligations, Parity Debt, Credit Facilities, Subordinated Indebtedness or Subordinated Contract Obligations in accordance with the delegation of power to do so under a Supplemental Resolution.

Costs of Issuance shall mean the costs of the authorization, sale and issuance of a Series of Obligations, Obligation Anticipation Notes, Subordinated Indebtedness, Parity Debt, Subordinated Contract Obligations or other obligations authorized under the Resolution, including with respect to any party to a transaction State bond issuance

charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, fees and charges of the Trustee and other Fiduciaries and agents, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Obligations, premiums, fees and charges in order to obtain, renew, extend or terminate Credit Facilities and Qualified Swaps and other financial arrangements, costs and expenses of refunding such Obligations, Obligation Anticipation Notes, Subordinated Indebtedness, Parity Debt, Subordinated Contract Obligations or other obligations authorized under the Resolution, and other costs, charges and fees, including those of the Issuer and any other Related Entities, in connection with the foregoing.

Counsel's Opinion or Opinion of Counsel or Opinion shall mean an opinion signed by an attorney or firm of attorneys of recognized standing (who may be counsel to the Issuer) selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Obligation Anticipation Notes.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Obligations or any Parity Debt outstanding, the sum of: (i) interest on the Obligations of such Series and the interest components of Parity Debt accruing during such period and (ii) that portion of each Principal Installment for such Obligations and Parity Debt that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Obligations and Parity Debt; provided, however, that, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until the later of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Obligation or Parity Debt.

Debt Service Payment Date shall mean, with respect to any portion of Debt Service, the date on which the Debt Service shall be payable.

Defeasance Security shall mean

- (1) an Authorized Investment as specified in clause (1) of the definition thereof (other than an obligation of the State), which is not redeemable at the option of the issuer thereof,
- (2) an Authorized Investment as specified in clause (1) (which is an obligation of the State), (2), (3), (6) or (7) of the definition thereof, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency,
- (3) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt,
- (4) any certificate of deposit specified in the Resolution, including certificates of deposit issued by the Trustee or by a Paying Agent, secured by obligations specified in clause (a) above of a market value equal at all times to the amount of the deposit, which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency, or
- (5) any other Authorized Investment designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Deferred Income Obligation shall mean any Obligation (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Obligation is (i) compounded on each Valuation Date for such Deferred Income Obligation and (ii) payable only at the maturity or prior redemption of such Obligations and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Obligation is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Deferred Income Obligation in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Obligation shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Obligations or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Obligations or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer.

Final Judgment shall mean any judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Obligation, the date determined by Supplemental Resolution after which interest accruing on such Obligation shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

LIRR shall mean The Long Island Rail Road Company and any successor thereto.

MaBSTOA shall mean the Manhattan and Bronx Surface Transit Operating Authority and any successor thereto.

MNCRC shall mean the Metro-North Commuter Railroad Company and any successor thereto.

MSBA shall mean the Metropolitan Suburban Bus Authority and any successor thereto.

MTA shall mean the Metropolitan Transportation Authority, the corporation organized and existing under the MTA Act, and any successor thereto.

MTA Act shall mean the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the New York Public Authorities Law, as from time to time amended.

Obligation Anticipation Notes shall mean any such notes issued and delivered pursuant to the Resolution, except to the extent (but only to the extent) that all or any portion of such notes either are not payable, or are anticipated by the Issuer not to be paid, from the proceeds of the Obligations in anticipation of which such notes are being issued.

Opinion of Bond Counsel shall mean an opinion signed by Hawkins, Delafield & Wood or any other attorney or firm of attorneys of nationally recognized standing in the field of law relating to the issuance of obligations by state and municipal entities, selected by the Issuer.

Outstanding, when used with reference to Obligations or Obligations of a Series, shall mean, as of any date, Obligations or Obligations of such Series theretofore or thereupon to be delivered under the Resolution except:

- (1) Any Obligations canceled at or prior to such date;

(2) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;

(2) Obligations in lieu of or in substitution for which other Obligations shall have been delivered;

(4) Obligations deemed to have been paid;

(5) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the Purchase Price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution; and

(6) For the purpose of any consent to be given or other action to be taken by or upon the direction of Owners of a specified portion of Obligations Outstanding, Obligations owned or held by or for the account of the Issuer or any Related Entity.

The principal component of any Parity Debt shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Obligation, regardless of the authorized amount of the principal component of such Parity Debt or the related Obligation and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Debt shall not by itself increase the Outstanding principal amount of Obligations.

Owner, or any similar terms, shall mean the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations.

Parity Debt shall mean any Parity Reimbursement Obligation, any Parity Swap Obligation or any other contract, agreement or other obligation of the Issuer designated as constituting “Parity Debt” in a certificate of an Authorized Officer delivered to the Trustee; provided, however, that any such Parity Reimbursement Obligation, Parity Swap Obligation, or other contract, agreement or other obligation shall not constitute Parity Debt solely to the extent of any obligations to pay termination or other fees, expenses, indemnification or other similar payments to the counterparty to such arrangement; provided further that Parity Reimbursement Obligations may include accelerated principal amortization provisions to the extent permitted by the terms of the Resolution.

Parity Reimbursement Obligation has the meaning provided under the caption “Credit Facilities; Qualified Swaps and Other Similar Agreements; Parity Debt”.

Parity Swap Obligation has the meaning provided under the caption “Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt”.

Pre-existing Indebtedness shall mean any bonds, notes or other obligations of the Issuer or any Related Entity that are issued or incurred under an authorizing resolution or other document in effect prior to the date of issuance of the initial Series of Obligations under the Resolution, including any Prior Lien Obligations.

Principal Installments shall mean, as of any date of calculation and with respect to any Series of Obligations or any Parity Debt, as applicable, (a) the principal amount of Outstanding Obligations of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Obligations which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance (determined as provided in the Resolution) of any Sinking Fund Installments due on any certain future date for Obligations of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Debt, the amount due thereunder on the dates and in the amounts established in accordance with the Resolution as a principal component of such Parity Debt payable on a parity with the Obligations.

Purchase Price shall mean, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

Put Obligations shall mean Obligations which by their terms may be tendered at the option of the Owner thereof, or are subject to a mandatory tender other than at the election of the Issuer or a Related Entity, for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Obligations or Variable Interest Rate Obligations on a synthetic basis or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either at least as high as (i) the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Issuer and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Obligations at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Obligations.

Redemption Price shall mean, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Resolution.

Reimbursement Obligation has the meaning provided in the section of the Resolution summarized under the caption "Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt".

Related Entity shall mean any of the MTA, TBTA, MaBSTOA, the Transit Authority, MNCRC, LIRR, SIRTOA, MSBA and any affiliate or subsidiary of any of the foregoing now or hereafter established and designated as a Related Entity by an Authorized Officer.

Responsible Officer shall mean any officer assigned to the corporate trust office of the Trustee, or any other officer of the Trustee customarily performing functions similar to those performed by any of such officers and who has direct responsibility for the administration of the Resolution, and also, with respect to a particular matter,

any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Obligations (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Obligations delivered on original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor, regardless of variations in maturity, interest rate, or other provisions.

Sinking Fund Installment shall mean, as of a particular date, any Sinking Fund Installment established pursuant to the terms of the Resolution.

SIRTOA shall mean the Staten Island Rapid Transit Operating Authority and any successor thereto.

State shall mean the State of New York.

Subordinated Contract Obligation shall mean any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap or portion thereof which has been designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee, and (c) any other contract, agreement or other obligation of the Issuer designated as constituting a "Subordinated Contract Obligation" in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable and secured in a manner permitted by Article V of the Resolution, and any lien on and pledge of any portion of the Trust Estate securing Subordinated Contract Obligations shall be junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer delivered to the Trustee, which shall be payable and secured in a manner permitted by Article V of the Resolution, and any lien on and pledge of any portion of the Trust Estate securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

TA Act shall mean the New York City Transit Authority Act being Title 9 of Article 5 of the New York Public Authorities Law, as amended from time to time.

Taxable Obligations shall mean any Obligations which are not Tax-Exempt Obligations.

Tax-Exempt Obligations shall mean any Obligations the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

TBTA shall mean the Triborough Bridge and Tunnel Authority, the corporation organized and existing under the TBTA Act, and any successor thereto.

TBTA Act shall mean the Triborough Bridge and Tunnel Authority Act, being Title 3 of Article 3 of the New York Public Authorities Law, as amended from time to time.

Transit Authority shall mean the New York City Transit Authority, the corporation organized and existing under the TA Act, and any successor thereto.

Transportation District shall mean the Metropolitan Commuter Transportation District created by Section 1262 of the MTA Act.

Transportation District Project shall mean any project, program or facility that the Issuer or any other Related Entity (in either case, by itself or with any other Person) is authorized from time to time by law to plan, design, acquire, establish, construct, effectuate, operate, maintain, renovate, improve, extend, rehabilitate or repair within, or for the benefit of, the Transportation District.

Valuation Date shall mean (i) with respect to any Capital Appreciation Obligations the date or dates set forth in the Supplemental Resolution authorizing such Obligations on which specific Accreted Values are assigned to the Capital Appreciation Obligations and (ii) with respect to any Deferred Income Obligations, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Obligations on which specific Appreciated Values are assigned to the Deferred Income Obligations.

Variable Interest Rate shall mean a variable interest rate to be borne by any Obligation. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Obligations.

Variable Interest Rate Obligations shall mean Obligations which bear a Variable Interest Rate.

(Section A-101)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Obligations and Parity Debt authorized to be issued under the Resolution by those who are Owners of the Obligations and Parity Debt from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Obligations and Parity Debt; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Owners of any and all of the Obligations and Parity Debt, all of which, regardless of the time or times of their authentication, issuance and delivery, or maturity, shall be of equal rank without preference, priority or distinction of any of the Obligations or Parity Debt over any other Obligations or Parity Debt, except as expressly provided in or permitted by the Resolution.

(Section A-104)

Certain Provisions for Issuance of Obligations

The Obligations may be sold in one or more Series or subseries (each of which shall contain a designation distinguishing it from other Series or subseries), and shall be delivered by the Issuer under the Resolution but only upon receipt by the Trustee of, a number of items, including:

An Opinion of Bond Counsel in customary form to the effect that (i) the Issuer has the right and power under the Issuer Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and binding upon the Issuer, and enforceable in accordance with its terms, and no other authorization for the Resolution is required as of the date thereof; (ii) the Resolution creates the valid pledge which it purports to create of the Trust Estate in the manner and to the extent provided in the Resolution; (iii) the Obligations are valid and binding obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Issuer Act as amended to the date of such Opinion of Bond Counsel; and (iv) such Obligations have been duly and validly authorized and issued in accordance with law and the Resolution.

(Section A-201)

Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt

The Issuer may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Issuer deems appropriate, and no such provisions shall be deemed to constitute an amendment to the Resolution, including:

So long as the Credit Facility is in full force and effect and payment on the Credit Facility is not in default, then (i) the issuer of the Credit Facility shall be deemed to be the sole Owner of the Outstanding Obligations the payment of which such Credit Facility secures or (ii) in the alternative or with respect to particular matters, the approval, consent or action of the issuer of the Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Owners of the Outstanding Obligations, in either case when the approval, consent or action of the Owners for such Obligations is required or may be exercised under the Resolution including any Supplemental Resolution and following an Event of Default under the Resolution; provided, however, that no issuer of a Credit Facility shall be deemed to be the sole Owner of Outstanding Obligations pursuant to this provision in the event that the Credit Facility or Credit Facilities securing such Obligations provide only liquidity support.

In addition, such Supplemental Resolution may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on Obligations secured by the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the **“Reimbursement Obligation”**); provided, however, that no amounts shall be payable by the Issuer under a Reimbursement Obligation for purposes of the Resolution, until amounts are paid under such Credit Facility by the issuer thereof. As determined by Supplemental Resolution, any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation and accelerated principal amortization, (i) may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the Resolution to secure the Obligations (a **“Parity Reimbursement Obligation”**), but only to the extent that (prior to any acceleration of all Obligations, if permitted) any principal amortization requirements are either (A) commensurate with the amortization requirements for such related Obligations, without acceleration or (B) accelerated to no greater extent than to require repayment in equal principal installments over 5 or more years, or (ii) may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Reimbursement Obligations shall not include any payments (other than interest calculated at a higher rate pursuant to a Credit Facility) (i) of any fees or expenses, (ii) pursuant to any indemnification provisions or (iii) pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than permitted by clauses (A) and (B) of the preceding sentence, and any such payments of the items specified in clauses (i), (ii) or (iii) shall constitute Subordinated Contract Obligations.

In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Issuer may, to the extent permitted pursuant to law, from time to time enter into Qualified Swaps. The Issuer's obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the Resolution to secure the Obligations (a **'Parity Swap Obligation'**), or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

Except to the extent that an Authorized Officer directs that such amounts be deposited in any other Fund or Account pledged to the payment of Obligations, any amounts paid to the Issuer under a Qualified Swap shall be deposited in the Debt Service Fund.

(Section A-202)

Obligation Anticipation Notes

Whenever the Issuer shall have authorized the issuance of a Series of Obligations, the Issuer may by resolution authorize the issuance of Obligation Anticipation Notes in anticipation of the issuance of such authorized Series of Obligations, in a principal amount not exceeding the principal amount of the Obligations of such Series so authorized. The principal of and premium, if any, and interest on such Obligation Anticipation Notes and any renewals of such Obligation Anticipation Notes shall be payable only from any or all of the following items designated by the Issuer at or prior to issuance of any such series of Obligation Anticipation Notes (i) the proceeds of any renewals of such Obligation Anticipation Notes issued to repay such Obligation Anticipation Notes, (ii) the proceeds of the sale of the Series of Obligations in anticipation of which such Obligation Anticipation Notes are issued, (iii) amounts available to pay Subordinated Indebtedness, or (iv) any other money available therefor and not pledged under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Obligation Anticipation Notes, and any such pledge of the items set forth in clauses (i) and (ii) shall have priority over any other pledge created by the Resolution.

(Section A-203)

Redemption at the Election of the Issuer; Tender to Related Entities; Optional Redemption

The Issuer may elect to redeem Obligations in accordance with the Supplemental Resolution under which such Obligations were issued, prior to the redemption date, cause to be paid out to the appropriate Paying Agent or Paying Agents out of money available therefor an amount in cash which, in addition to other money, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Obligations to be redeemed.

In addition, as provided by Supplemental Resolution, the Issuer may, in its sole discretion, purchase or grant to any Related Entity the option to purchase, at any time and from time to time, any Obligations which are redeemable at the election of the Issuer at a purchase price equal to the redemption price therefor.

(Section A-402, A-403)

Investment of Funds

Subject to the provisions of the Resolution, amounts in the Funds and Accounts established by the Resolution may be invested only in Authorized Investments and only when and as specifically directed in writing by an Authorized Officer.

Except as provided by Supplemental Resolution, in computing the amount of such Funds, Accounts and subaccounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value.

(Section A-501)

Satisfaction of Sinking Fund Installments

Any amount accumulated in the Debt Service Fund in respect of and up to the unsatisfied balance of each Sinking Fund Installment shall be applied by the Trustee to either (a) or (b) below as directed by the Issuer (together with amounts accumulated in the Debt Service Fund with respect to interest on the Series of Obligations for which such Sinking Fund Installment was established) if so directed by an Authorized Officer prior to the 45th day preceding the due date of such Sinking Fund Installment as follows:

(a) to the purchase of Obligations for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Obligations plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Issuer shall direct; or

(b) to the redemption of Obligations for which such Sinking Fund Installment was established, if then redeemable by their terms at the prices referred to in clause (a) above.

All Obligations so purchased or redeemed shall be canceled by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment.

Upon the purchase or redemption of any Obligation pursuant to the preceding paragraph, an amount equal to the principal amount of the Obligations so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Obligations of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments for such Series as specified by an Authorized Officer. Prior to the purchase or redemption of such Obligations, the Issuer shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Obligations so to be purchased or redeemed, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Obligations are so to be purchased or redeemed, (iii) the aggregate principal amount of the Obligations so to be purchased or redeemed, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Obligations.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Obligations acquired by purchase or redemption, except Obligations acquired by purchase or redemption pursuant to the provisions of the first paragraph of this caption, of the maturity and interest rate entitled to such Sinking Fund Installment. All Obligations so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Obligations.

(Section A-502)

Trustee; Appointment; Resignation or Removal and Appointment of Successor

The Resolution appoints the Trustee named on the cover page hereof as Trustee.

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the Issuer and mailing notice thereof to the Owners of the Obligations.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing. A successor may be appointed by the Owners of a majority in principal amount of the Obligations then Outstanding.

Any Trustee appointed under the provisions of the Resolution in succession to the Trustee shall be a Bank that is organized under the laws of the State or is a national banking association organized under the laws of the United States of America, doing business and having a corporate trust office in The City of New York, and having a capital and surplus aggregating at least \$100 million, if there be such a Bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-701, A-708, A-709, A-710)

Paying Agents and Registrars; Appointment; Resignation or Removal and Appointment of Successor

The Trustee is also the Registrar and a Paying Agent with respect to the Obligations. The Issuer may at any time or from time to time appoint one or more other Paying Agents and Registrars. The Issuer may be appointed a Paying Agent or Registrar.

Any Paying Agent or Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to the Issuer, the Trustee, and the other Paying Agents or Registrar, as the case may be. Any Paying Agent or Registrar may be removed at any time by an instrument filed with such Paying Agent or Registrar and the Trustee and signed by the Issuer. Any successor Paying Agent or Registrar shall be appointed by the Issuer, with the approval of the Trustee, and shall be a Bank that is organized under the laws of the State or is a national banking association organized under the laws of the United States of America doing business and having a corporate trust office in The City of New York and having a capital and surplus aggregating at least \$100 million, which is willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-703, A-713)

Supplemental Resolutions Effective Upon Filing With the Trustee

The Issuer may adopt at any time or from time to time, for any one or more of the purposes specified in the Resolution including but not limited to the following, a Supplemental Resolution, which does not require the consent of or notice to any Owner:

- (1) To authorize Obligations of a Series and, in connection therewith, (a) specify and determine the matters and things referred to in the provisions of the Resolution authorizing issuance of Obligations, and also any other matters and things relative to such Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect, (b) in the case of Variable Interest Rate Obligations or Put Obligations, as applicable, set forth provisions specifying the manner in which interest on Variable Interest Rate Obligations or Put Obligations, as applicable, is to be calculated for the purposes of various definitions and provisions of the Resolution, provisions providing for changes in interest rates, interest rate periods or interest payment dates for any Variable Interest Rate Obligation of a Series or Put Obligations, as applicable, provisions regarding an Owner's right or obligation to tender Put Obligations for redemption or purchase in lieu of redemption, and provisions governing the manner in which Variable Interest Rate Obligations or Put Obligations, as applicable, which the Owner thereof has the right to, or has exercised a right to, tender for redemption or purchase in lieu of redemption shall be treated for purposes of various definitions and provisions of the Resolution, (c) set forth provisions governing the administration of any Qualified Swap or Credit Facility, and provisions providing for the issuance of Reimbursement Obligations or the conversion of other Obligations to Reimbursement Obligations (and in connection with such conversion to change the interest rates, sinking fund provisions or maturity date on such Obligations) to secure or reimburse the provider of such Credit Facility, (d) in the case of either Taxable Obligations or Tax-Exempt Obligations, set forth defeasance provisions with respect thereto (including the manner of attaining such defeasance and the effect thereof), and (e) make such additional changes in the Resolution, not materially adverse to the rights of the Owners of the Obligations previously issued, as are necessary or

appropriate; or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Obligations;

- (2) To (a) establish for any one or more Series of Obligations a separate debt service reserve fund which shall be permitted to be applied solely to the payment of specified Obligations, provided that (i) the specified Obligations shall have no claim or lien on nor be payable from any amounts in any other such debt service reserve fund, (ii) the specified Obligations shall be excluded from the calculation of any applicable debt service reserve fund requirement for any other Outstanding Obligations, and (iii) the amount required to be on deposit in such debt service reserve funds shall be specified in the Supplemental Resolutions authorizing the specified Obligations, but in no event shall such amount, after giving effect to any surety bond, insurance policy, letter of credit or similar obligation deposited in any such separate debt service reserve fund pursuant to the Resolution, be in excess of the amount that would otherwise be the debt service reserve fund requirement for such specified Obligations assuming that such Obligations were the only Obligations Outstanding under the Resolution; and (b) make such other amendments, changes or modifications to the Resolution as may be deemed necessary or desirable by the Issuer to insure that such debt service reserve funds function in the manner contemplated in this subsection;
- (3) To authorize Parity Debt and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things referred to in that section of the Resolution summarized under the caption "Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt", and also any other matters and things relative to such Parity Debt which are not contrary to or inconsistent with the Resolution as then in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance or entering into of such Parity Debt, and at any time to rescind or limit any authorization for any such Parity Debt theretofore authorized but not issued or entered into; in connection with the authorization of Parity Swap Obligations and Parity Reimbursement Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of the Funds, Accounts and subaccounts established pursuant to the Resolution for the benefit of such Parity Swap Obligations and Parity Reimbursement Obligations; and shall grant to the Owners of such Parity Debt the same rights granted to Owners of Obligations in the section of the Resolution summarized under the caption "Supplemental Resolutions Effective With Consent of Owners of Obligations" and in the Resolution relating to amendments to the Resolution;
- (4) To authorize Subordinated Indebtedness or Subordinated Contract Obligations and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness or Subordinated Contract Obligations which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness or Subordinated Contract Obligations theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness or Subordinated Contract Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness or Subordinated Contract Obligations and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness or Subordinated Contract Obligations;
- (5) To add to the Resolution any provisions required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on Tax-Exempt Obligations then Outstanding or to be issued or the exemption of interest received on any Obligations from State income taxation;
- (6) To modify, amend or supplement the Resolution in any manner, not already provided for in or pursuant to the Supplemental Resolution authorizing the related Series of Obligations in order to provide for a Credit Facility, Qualified Swap, or other similar arrangement with respect to any Series of Obligations, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Owners of Outstanding Obligations;

- (7) To modify, amend or supplement the Resolution in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Issuer so determines, to add thereto such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939 or similar Federal statute;
- (8) To amend or modify any Supplemental Resolution authorizing Obligations of a Series to reflect the substitution of a new Credit Facility for the Credit Facility then in effect;
- (9) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;
- (10) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect, including, in the event the Issuer Act is amended or other legislation is enacted to so provide, the substitution of an alternate or different legal name for the current name of the Issuer or any other Related Entity in the Resolution or the form of Obligations; or
- (11) With Rating Confirmation, to make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Owners of Outstanding Obligations.

(Section A-801)

Supplemental Resolutions Effective With Consent of Owners of Obligations

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Owners of Obligations in accordance with and subject to the provisions of the Resolution, covering any subject.

(Section A-802)

Amendments

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Owners, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Owners of a majority in principal amount of the Obligations Outstanding at the time such consent is given, and (ii) in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under this caption. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, (b) reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, (c) create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Owners of all such Obligations, (d) create a lien prior to or on parity with the lien of the Resolution securing Obligations, without the consent of the Owners of all of the Obligations then Outstanding, or (e) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this caption, an Obligation shall be deemed to be affected by a modification or amendment of the Resolution if the same materially and adversely affects the rights of the Owner of such Obligation. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment particular Obligations would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Issuer and all Owners of Obligations. The

Trustee may request and receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether particular Obligations would be so affected by any such modification or amendment of the Resolution and the Trustee shall have no duty or obligation to take any action under the Resolution unless and until it has received such opinion. *Notwithstanding anything in the Resolution to the contrary, the consent of Owners of any Series of additional Obligations to be issued thereunder shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Obligations is offered and sold.*

(Section A-902)

Consent of Owners of Obligations

The Issuer at any time may adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in this caption. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Issuer to the Owners (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this caption). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Obligations specified in the section of the Resolution summarized under the caption "Amendments" and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms, and (ii) a notice shall have been mailed to Owners as provided in the Resolution. Any such consent, including any consent provided by the initial purchaser of an Obligation from the Issuer, shall be binding upon the Owner of the Obligations giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Owner of such Obligations and of any Obligations issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of Obligations shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Issuer and the Trustee a written statement that the Owners of such required percentages of Obligations have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Obligations and will be effective as provided in this caption, may be given to Owners of Obligations by the Issuer by mailing such notice to Owners of Obligations (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this caption). The Issuer shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this caption to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Fiduciaries and the Owners of all Obligations at the expiration of 40 days after the filing with the Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that any Fiduciary and the Issuer during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section A-903)

Defeasance

If the Issuer shall pay or cause to be paid to the Owners of all Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Issuer to the

Owners of Obligations shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Issuer, execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Issuer all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption.

Outstanding Obligations or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Outstanding Obligations or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph either (A) with respect to the defeasance of Taxable Obligations, Tax-Exempt Obligations or otherwise, as provided in the Supplemental Resolution authorizing their issuance or (B) if (a) in case any of said Obligations are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption on said date of such Obligations, (b) there shall have been irrevocably deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Obligations are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the deposit required by (b) above has been made with the Trustee and that said Obligations are deemed to have been paid in accordance with this caption and stating such maturity or redemption date upon which money is to be available for the payment of the principal or Redemption Price, if applicable, on such Obligations. Neither Defeasance Securities nor money deposited with the Trustee pursuant to this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Obligations; provided, however, that any money on deposit with the Trustee, (i) to the extent such money will not be required at any time for such purpose, shall be paid over to the Issuer as received by the Trustee, free and clear of any trust, lien or pledge securing said Obligations or otherwise existing under the Resolution, and (ii) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Obligations on and prior to such redemption date or maturity date thereof, as the case may be. *Notwithstanding any other provision of the Resolution, the Issuer may at the time of defeasance elect to retain the right to redeem or require the tender of any obligations deemed paid. The Trustee shall, at the direction of the Issuer, select the Obligations or portions thereof that are deemed to have been paid in advance of the redemption of such Obligations.*

Any money held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remains unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, has become due and payable, either at stated maturity dates or by call for earlier redemption, if such money was held by the Fiduciary at such date, or for 2 years after the date of deposit of such money if deposited with the Fiduciary after the date when such principal, Redemption Price, or interest, respectively, became due and payable, shall, at the written request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Issuer for the payment of such principal, Redemption Price, or interest, respectively. Any money held by a Fiduciary in trust for the payment and discharge of any Obligations which remains unclaimed after such money was to be applied to the payment of such Obligations in accordance with the Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Issuer or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Issuer or to apply such money in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Issuer, cause to be mailed to the Owners entitled

to receive such money a notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such money then unclaimed will be returned to the Issuer or applied in accordance with the Abandoned Property Law of the State, as the case may be.

(Section A-1101)

General Regulations as to Money and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Obligations, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1104)

ATTACHMENT 4

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company will act as securities depository for the Series 2001A Bonds. The Series 2001A Bonds will be issued as fully-registered securities registered in the name of The Depository Trust Company or its nominee (together, "DTC"). One fully-registered Series 2001A Bond will be issued for each maturity of the Series 2001A 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 2001A Bonds exceeds \$400 million, one Bond of such maturity will be issued with respect to each \$400 million of principal amount and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

DTC 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, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and 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 securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2001A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2001A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2001A 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, but Beneficial Owners are 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 2001A 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 2001A Bonds, except in the event that use of the book-entry system for the Series 2001A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2001A 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 2001A Bonds with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2001A 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.

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 2001A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2001A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of Series 2001A Bonds may wish to ascertain that the nominee holding the Series 2001A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

DTC will not consent or vote with respect to the Series 2001A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after a “record date” has been established by the issuer for the purpose of obtaining consents or votes. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2001A Bonds will be made to 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 principal and interest to Cede & Co. is the responsibility of the MTA or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NEITHER MTA, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS DTC IS THE REGISTERED OWNER OF THE SERIES 2001A BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2001A BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” IN THIS OFFICIAL STATEMENT) SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2001A BONDS.

Under the Resolution, payments made by the Trustee to DTC shall satisfy MTA’s obligations under the Resolution to the extent of such payments.

For every transfer and exchange of the Series 2001A Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series 2001A Bonds at any time by giving notice to MTA and the Trustee. MTA may decide at any time to discontinue the system of book-entry transfers through DTC (or a successor Securities Depository). Under such circumstances, Series 2001A Bond certificates are required to be printed and delivered as described in the Resolution.

In the event that the book-entry only system is discontinued, the following provisions would apply. The Trustee shall keep the registration books for the Series 2001A Bonds at its principal corporate trust offices. Subject to further conditions contained in the Resolution, the Series 2001A Bonds may be transferred or exchanged for one or more Series 2001A Bonds in different authorized denominations upon surrender thereof at the principal corporate trust office of the Trustee by the registered owners or their duly authorized attorneys. Upon surrender of any Series 2001A Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in its registration books and shall authenticate and deliver new Series 2001A Bonds appropriately registered and in appropriate authorized denominations. During the 15 days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Trustee shall not be required to effect or register any transfer or exchange of any Series 2001A Bond which has been selected for such redemption. MTA and the Trustee shall be entitled to treat the registered owners of the Series 2001A Bonds, as their names appear in the registration books as of the appropriate dates, as the owners of such Series 2001A Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Portions of the information in this section concerning DTC and DTC's book-entry only system are based on information furnished by DTC to MTA. No representation is made herein by MTA or the Underwriters as to the accuracy or completeness thereof.

ATTACHMENT 5

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

(For purposes of this Attachment, reference to the DTF Resolution refers to the Existing DTF Resolution or the Proposed DTF Resolution, whichever is in effect at that time.)

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), MTA and the Trustee will enter into a written agreement (the “Disclosure Agreement”) for the benefit of holders of the Series 2001A Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the MTA by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2001 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with each Nationally Recognized Municipal Securities Information Repository (the “NRMSIRs”) and with the state information depository for the State, if and to the extent it shall have been established and shall be in existence and operating as a state information depository within the meaning of Rule 15c2-12 (the “State Depository”). Notices of material events will be filed by or on behalf of MTA with NRMSIRs or the Municipal Securities Rulemaking Board (the “MSRB”) and with the State Depository. The nature of the information to be provided in the MTA Annual Information and the State Annual Information and the notices of material events is set forth below.

The Comptroller of the State is required by existing law to issue audited annual financial statements of the State 120 days after the close of the State fiscal year, and MTA will also undertake to provide the State’s audited annual financial statements, by no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002; provided that if audited financial statements are not then available from the State, unaudited financial statements shall be so provided and audited financial statements will be provided if and when available. Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2001A Bonds to provide or cause to be provided either directly or through the Trustee, audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2001, when and if such audited financial statements become available and, if such audited financial statements of MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of the Transit Authority or MTA for such fiscal year. MTA’s and the State’s annual financial statements will be filed by or on behalf of such parties with each NRMSIR and the State Depository.

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

1. a description of the transit and commuter systems operated by the MTA and its affiliates and subsidiaries and their operations,
2. information regarding the transit and commuter capital programs, including information of the type included in **Appendix A** under the heading “2000-2004 Financial Plan and 2000-2004 Capital Programs”,
3. a presentation of changes to indebtedness issued by MTA under the DTF Resolution, as well as information concerning changes to MTA’s debt service requirements on such indebtedness payable from DTF Revenues,
4. financial information and operating data of the type included in this Official Statement set forth under the caption THE MTA DEDICATED TAX FUND REVENUES which shall include information relating to the following:
 - a description of how the State allocates taxes to the MTA Dedicated Tax Fund;

- a description of the material taxes allocated to the MTA Dedicated Tax Fund, currently the petroleum business tax, the motor fuel tax on gasoline and diesel fuel, certain motor vehicle fees, including both registration and non-registration fees, the District Sales Tax, the Franchise Taxes, and the Temporary Franchise Surcharge, together with a description of the tax rate, the tax base and the composition and collection of such taxes by the State (unless the taxes constituting the sources of revenue have been materially changed or modified, in which case similar information about such new or modified taxes will be provided); and
 - for the material taxes then constituting a source of revenue for the MTA Dedicated Tax Fund, an historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available;
5. information concerning the amounts, sources, material changes in and material factors affecting DTF Revenues and debt service incurred under the DTF Resolution,
 6. material litigation related to any of the foregoing, and
 7. such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, MTA.

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific reference to any other documents which have been filed with (a) the NRMSIRs and the State Depository or (b) the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere. Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent feasible, such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to each NRMSIR or to the MSRB, and to the State Depository.

MTA will undertake, for the benefit of holders of the Series 2001A Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption CONTINUING DISCLOSURE in this Official Statement with respect to the Series 2001A Bonds, if material, and
2. to each NRMSIR or to the MSRB, and to the State Depository, in a timely manner, notice of a failure to provide any MTA Annual Information required by such undertaking or any required audited financial statements of MTA.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2001A Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2001A Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the undertaking is an action to compel specific performance, and no person or entity, including any holder of Series

2001A Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2001A Bonds at the time Outstanding which are affected thereby. MTA and the Trustee reserve the right, but shall not be obligated to, enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the DTF Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the DTF Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2001A Bonds have been paid in full or legally defeased pursuant to the DTF Resolution or the date the undertaking is no longer required by law. The Disclosure Agreement also provides that the obligation of the MTA to provide the State's audited financial statements thereunder may be terminated if, due to a change in circumstances or a change in law, regulation or official interpretation thereof, the State is not an "obligated person" as defined in Rule 15c2-12. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

Notwithstanding the foregoing, however, the requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund shall not constitute a debt of the State within the meaning of any Constitutional or statutory provisions and shall be deemed executory only to the extent of moneys appropriated by the State therefor, and no liability shall be incurred by the State beyond the moneys appropriated for the purposes thereof. The Bonds are not a debt of the State or the City and neither the State nor the City shall be liable thereon.

ATTACHMENT 6

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2001A Bonds 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:

[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 and sale of \$554,105,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Bonds, Series 2001A (the "Series 2001A Bonds"), more particularly described below.

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 2001A Bonds are dated and bear interest from their date of delivery, or the most recent payment date to which interest has been paid or duly provided for. Interest is payable on each May 15 and November 15, commencing May 15, 2002. The Series 2001A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, set forth on the inside cover page of the Official Statement relating to the Series 2001A Bonds. The Series 2001A Bonds are subject to redemption prior to maturity as provided in the Resolution. The Series 2001A Bonds are issuable in the form of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2001A Bonds are exchangeable as provided in the Resolution.

The principal and Redemption Price of the Series 2001A Bonds are payable at the principal corporate trust office of The Bank of New York, the Trustee and Paying Agent. Interest on the Series 2001A Bonds is payable by check or draft mailed by The Bank of New York, the Trustee and Paying Agent or, upon compliance with conditions set forth in the Resolution, by wire to an account within the continental United States.

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 2001A Bonds in order that interest on the Series 2001A 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 2001A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2001A 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 2001A 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 2001A 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 2001A Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code. As used in relation to this covenant, Code shall mean

the Internal Revenue Code of 1986, as amended to the date of initial issuance and delivery of the Series 2001A Bonds.

In rendering the opinion in paragraph 8 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 2001A 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 2001A Bonds as executed and, in our opinion, the form of said Series 2001A Bond and its execution are regular and proper.

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 and sale of said Series 2001A Bonds 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 "MTA Act"), and the Dedicated Tax Fund Bond Resolution of the MTA, adopted on July 31, 1996, as supplemented and amended, including as supplemented by the Series 2001A Dedicated Tax Fund Bond Series Resolution (the "Supplemental Resolution"), adopted on October 30, 2001 and the related Bond Series Certificate (such Dedicated Tax Fund Bond Resolution as from time to time amended or supplemented by said and other Supplemental Resolutions and Bond Series Certificates being herein called the "Resolution" and any Bonds issued pursuant to such Resolution, including the Series 2001A Bonds, being herein collectively called the "Bonds").

2. The MTA has the right and power under the MTA Act to adopt the Resolution, and the right and power under the MTA Act and the Resolution to adopt the Supplemental Resolution and to issue the Series 2001A Bonds. The Resolution has been duly and lawfully adopted by the MTA, is presently in full force and effect, is valid and binding upon the MTA and is enforceable against the MTA in accordance with its terms, and no other authorization is required therefor.

3. The Resolution creates the valid pledge it purports to create of (i) the proceeds of the sale of the Series 2001A Bonds, (ii) the Pledged Amounts Account in the MTA Dedicated Tax Fund, and any moneys on deposit therein and any moneys received and held by the MTA which are required to be deposited therein, and (iii) all Funds, Accounts and Subaccounts established by the Resolution (subject to the provisions governing the application of the separate Accounts and Subaccounts in the Debt Service Reserve Fund for a particular Series of Variable Interest Rate Bonds, Put Bonds or Bank Bonds and any related Parity Reimbursement Obligation required to be established in the Supplemental Resolution authorizing such Series of Bonds and to the provisions of Sections 206.4 and 206.6 of the Resolution relating to Parity Debt), including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

4. The Series 2001A Bonds are valid and legally binding special obligations of the MTA payable as provided in, and enforceable against the MTA in accordance with, their terms and the terms of the Resolution and are entitled to the benefits of the MTA Act and of the Resolution. To the extent provided in the Resolution, the provisions of a new bond resolution and the source of payment and security set forth in such resolution may be substituted for the provisions of the Resolution and the source of payment and security for the Series 2001A Bonds. Such Series 2001A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the MTA Act, and in accordance with the Resolution. Under the Resolution, the MTA may issue additional Bonds and may incur obligations constituting Parity Debt on a parity with the Series 2001A Bonds and any Bonds heretofore issued for the purposes and on the terms and conditions provided in the Resolution.

5. The Series 2001A Bonds do not constitute a debt or liability of the State or The City of New York.

6. The MTA, the holders of the Series 2001A 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.

7. The Series 2001A 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.

8. Under existing statutes and court decisions, interest on the Series 2001A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Under the Code, interest on the Series 2001A Bonds 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.

Any excess of the principal amount payable when a maturity of Series 2001A Bonds is scheduled to come due over the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of such Series 2001A Bonds ("Discount Bonds") of the same maturity was sold, constitutes original issue discount which is excludable from gross income for federal income tax purposes to the same extent as interest on the Series 2001A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

9. Under existing statutes, interest on the Series 2001A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2001A Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken or not 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 Series 2001A Bonds, or under State of New York and local tax law.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolution and the Series 2001A Bonds 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).

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2001A Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to 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.

Very truly yours,

ATTACHMENT 7

**FORM OF SPECIMEN
MUNICIPAL BOND INSURANCE POLICY**

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number: 0010001

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script that reads "Robert M. Reif".

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in cursive script that reads "Gregory Brown".

Authorized Officer

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of such Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script that reads "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, likely representing the authorized officer of State Street Bank and Trust Company.

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

**Mandatory New York State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy**

Policy Number:

Control Number: 0010001

The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, appearing to read "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, appearing to read "Quincy Brown".

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

**Mandatory New York State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy**

Policy Number:

Control Number: 0010001

Notwithstanding the terms and conditions in this Policy, it is to be understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, appearing to read "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, appearing to read "Gregory J. ...".

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent