

**NOTICE OF ERRATUM DATED NOVEMBER 20, 2002
TO OFFICIAL STATEMENT DATED NOVEMBER 14, 2002**

**Relating to
\$400,000,000
Metropolitan Transportation Authority
Transportation Revenue Variable Rate Refunding Bonds, Series 2002G
\$200,000,000 Subseries 2002G-1
\$200,000,000 Subseries 2002G-2**

The Official Statement dated November 14, 2002 (the Official Statement) for the above-referenced bonds *incorrectly* identified the Standard & Poor's short-term rating for the Subseries G-1 Bonds as A-1+. The Official Statement should have *correctly* identified the long- and short-term ratings for the Subseries G-1 Bonds as set forth below:

Expected Subseries 2002G-1 Ratings.....	Moody's:	Aaa/VMIG-1
	Standard & Poor's:	AAA/A-1
	Fitch:	AAA/F1+
	<i>See RATINGS in Part III of the Official Statement.</i>	

The ratings shown for the Subseries G-2 Bonds in the Official Statement are correct.



\$400,000,000
Metropolitan Transportation Authority
Transportation Revenue Variable Rate Refunding Bonds
Series 2002G

\$200,000,000 Subseries 2002G-1
\$200,000,000 Subseries 2002G-2

DATED: Date of Delivery

DUE: November 1, 2026

The Subseries 2002G-1 Bonds and the Subseries 2002G-2 Bonds (collectively, the Series 2002G Bonds) are being issued to provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects.

The Series 2002G Bonds—

- are MTA's special, not general, obligations, payable solely from the transit and commuter systems revenues and other sources pledged to bondholders as described in this official statement, and
- are not a debt of the State or The City of New York or any other local government unit. MTA has no taxing power.

The Series 2002G Bonds will constitute Variable Interest Rate Obligations and will bear interest from their date of delivery in the Weekly Mode as herein described. The Series 2002G Bonds will bear interest from the date of delivery to and including November 27, 2002 at a rate to be established by MTA and, thereafter, at the rate determined by the Remarketing Agent as herein described. MTA reserves the right at any time to convert to an Auction Rate Mode, Commercial Paper Mode, Daily Mode, Fixed Rate Mode or Term Rate Mode. **This official statement is intended to provide disclosure only to the extent the Series 2002G Bonds remain in the Weekly Mode.**

The Series 2002G Bonds of each Subseries are subject to mandatory or optional tender for purchase as more fully described herein. In order to provide for the payment of purchase price in the event of a mandatory or optional tender, MTA has entered into a standby bond purchase agreement with The Bank of Nova Scotia, acting through its New York Agency, in connection with the Subseries 2002G-1 Bonds and a standby bond purchase agreement with Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, in connection with the Subseries 2002G-2 Bonds (collectively, the Initial Liquidity Facilities). The Initial Liquidity Facilities are scheduled to expire on November 20, 2005, unless extended or earlier terminated (in certain cases without notice or without the obligation of the related Liquidity Facility Issuer to purchase Series 2002G Bonds that have been tendered for purchase) in accordance with their terms as described in this official statement.

Payment of the principal of and interest on the Series 2002G Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the Insurer) simultaneously with the delivery of the Series 2002G Bonds.

Ambac

Price – 100%

The Remarketing Agent will suspend remarketing of the Series 2002G-1 Bonds and/or the Series 2002G-2 Bonds upon the occurrence of a default by the Insurer under the Insurance Policy or upon the termination or suspension of the related Liquidity Facility. The Initial Liquidity Facilities do not provide security for the scheduled payment of principal of or interest or premium, if any, on the Series 2002G Bonds, and the funds drawn thereunder may not be used for such purposes. Payment of purchase price is not an obligation of MTA or the Insurer.

JPMorgan Chase Bank is the Trustee, Paying Agent and Tender Agent for the Series 2002G Bonds.

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 2002G 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 2002G Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State, including The City of New York.

The Series 2002G Bonds are subject to redemption prior to maturity as described herein.

The Series 2002G 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 November 20, 2002.

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 2002G Bonds. Investors are advised to read the entire official statement, including all portions included by specific reference, to obtain information essential to making an informed decision.

Merrill Lynch & Co.

SUMMARY OF TERMS RELATING TO WEEKLY MODE*

INTEREST PAYMENT DATES AND CALCULATION PERIOD	The first Business Day of each month, commencing December 2, 2002, on actual days over a 365-day year (366 in years when February has 29 days)
RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date
OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date
NOTICE OF MODE CHANGE; MODE CHANGE DATE	Trustee to mail notice to Owners not later than 15 days before the Mode Change Date, which can be any Business Day
MANDATORY TENDER FOR PURCHASE	On each Mode Change Date, Expiration Tender Date, Termination Tender Date and Substitution Date
RATE DETERMINATION DATE	Each Wednesday, unless such Wednesday is not a Business Day, in which case the rate shall be set on the Business Day next preceding such Wednesday
RATE ADJUSTMENT DATE	Thursday of each week
TENDER AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	JPMorgan Chase Bank Institutional Trust Services 4 New York Plaza, 15 th Floor New York, New York 10004 Attention: Carol Ng Phone: (212) 623-5233 Fax: (212) 623-6215
REMARKETING AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	Merrill Lynch, Pierce, Fenner & Smith Incorporated 250 Vesey Street – 24 th Floor New York, New York 10080 Attention: Mona Payton Phone: (212) 449-4997 Fax: (212) 449-6440

The Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Series 2002G Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.

* So long as the Series 2002G Bonds are registered in the name of Cede & Co., as Bondholder and Securities Depository Nominee of DTC, mechanics for tender and redemption will be in accordance with procedures established by DTC.

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

Peter S. Kalikow	Chairman
David S. Mack	Vice-Chairman
Ronnie P. Ackman	Non-Voting Member
Andrew B. Albert	Non-Voting Member
Nancy Shevell Blakeman	Member
Anthony J. Bottalico	Non-Voting Member
Kenneth A. Caruso	Member
Thomas J. Cassano	Non-Voting Member
Edward B. Dunn	Member
Barry L. Feinstein	Member
Lawrence W. Gamache	Member
James H. Harding, Jr	Member
Susan L. Kupferman	Member
Mark D. Lebow	Member
James L. McGovern	Non-Voting Member
Joseph Rutigliano	Non-Voting Member
Ernest J. Salerno	Member
Andrew M. Saul	Member
James L. Sedore, Jr	Member
James S. Simpson	Member
Edward A. Vrooman	Member
Rudy Washington	Member
Alfred E. Werner	Member

Katherine N. Lapp	Executive Director and Chief Operating Officer
Gary G. Caplan	Director, Budgets and Financial Management
Mary Jennings Mahon, Esq.	Deputy Executive Director and General Counsel
Kim Paparello	Director, Finance

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 2002G 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 Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.
Bonds Being Offered.....	Transportation Revenue Variable Rate Refunding Bonds, Series 2002G.
Purpose of Issue.....	To provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects. <i>See</i> REFUNDING PLAN AND APPLICATION OF PROCEEDS.
Maturity and Rates	The Series 2002G Bonds are Variable Interest Rate Obligations that initially bear interest in the Weekly Mode and mature on November 1, 2026. <i>See</i> cover.
Denominations in Weekly Mode.....	\$100,000 or any integral multiple of \$5,000 in excess thereof.
Interest Payment Dates in Weekly Mode	The first Business Day of each month, commencing December 2, 2002.
Redemption	<i>See</i> DESCRIPTION OF SERIES 2002G BONDS – Redemption Provisions During the Weekly Mode <i>in Part I</i> for redemption information.
Tender.....	<i>See</i> DESCRIPTION OF SERIES 2002G BONDS – Tender, Presentation and Purchase Provisions of the Series 2002G Bonds During the Weekly Mode <i>in Part I</i> for tender provisions.
Sources of Payment and Security	MTA's pledged transportation revenues from transit and commuter system operations, TBTA operating surplus, subsidies from governmental entities and certain other sources, all as described <i>in Part II</i> .
Initial Liquidity Facility – Subseries 2002G-1 Bonds.....	Standby Bond Purchase Agreement with The Bank of Nova Scotia, acting through its New York Agency, that expires on November 20, 2005. <i>See</i> DESCRIPTION OF SERIES 2002G BONDS – Liquidity Facilities <i>herein</i> .
Initial Liquidity Facility – Subseries 2002G-2 Bonds.....	Standby Bond Purchase Agreement with Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, that expires on November 20, 2005. <i>See</i> DESCRIPTION OF SERIES 2002G BONDS – Liquidity Facilities <i>herein</i> .
Credit Enhancement	Ambac financial guaranty insurance policy.

Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.
Trustee and Tender Agent	JPMorgan Chase Bank.
Bond Counsel	Hawkins, Delafield & Wood, New York, New York.
Tax Status	<i>See TAX MATTERS in Part III.</i>
Expected Subseries 2002G-1 Ratings.....	Moody's: Aaa/VMIG-1 Standard & Poor's: AAA/A-1+ Fitch: AAA/F1+ <i>See RATINGS in Part III.</i>
Expected Subseries 2002G-2 Ratings.....	Moody's: Aaa/VMIG-1 Standard & Poor's: AAA/A-1+ Fitch: AAA/F1+ <i>See RATINGS in Part III.</i>
Financial Advisor	Goldman, Sachs & Co.
Underwriter/Remarketing Agent	Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Purchase Price/Underwriter's Discount.....	<i>See UNDERWRITING in Part III.</i>
Counsel to the Underwriter	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.
MTA Special Counsel	Nixon Peabody LLP <i>and</i> Squire, Sanders & Dempsey L.L.P., New York, New York.

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2002G Bonds, in any jurisdiction where that would be unlawful. MTA has not authorized any dealer or salesperson or anyone else to give any information or make any representation in connection with the offering of the Series 2002G 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 2002G 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," "assume," "estimate," "expect," "objective," "projection," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***No Guarantee of Information by Underwriter.*** The Underwriter has provided the following sentence for inclusion in this official statement: The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.
 - ***Bond Insurer Information.*** Other than with respect to information concerning the Insurer contained under the caption DESCRIPTION OF SERIES 2002G BONDS – Bond Insurance in Part 1 and in Attachment 4 of this official statement, none of the information in this official statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to
 - the accuracy or completeness of information it has neither supplied nor verified,
 - the validity of the Series 2002G Bonds, or
 - the tax-exempt status of the interest on the Series 2002G Bonds.
 - ***Initial Liquidity Facility Issuer Information.*** Other than with respect to information concerning the Initial Liquidity Facility Issuers contained in Attachment 5 of this official statement, none of the information in this official statement has been supplied or verified by the Initial Liquidity Facility Issuers and no Initial Liquidity Facility Issuer makes any representation or warranty, express or implied, as to
 - the accuracy or completeness of information it has neither supplied nor verified,
 - the validity of the Series 2002G Bonds, or
 - the tax-exempt status of the interest on the Series 2002G Bonds.
 - ***SEC Rule 15c2-12.*** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Series 2002G Bonds to provide continuing disclosure during the period that such Series 2002G Bonds bear interest in the Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.
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- Attachment 2**– Definitions
- Attachment 3**– Form of Opinion of Bond Counsel
- Attachment 4**– Form of Specimen Financial Guaranty Insurance Policy
- Attachment 5**– Initial Liquidity Facility Issuers

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

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

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

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

INTRODUCTION

MTA, TBTA and Other Related Entities

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

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

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

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

MTA, TBTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2002 Combined Continuing Disclosure Filings, which is included by specific reference in this official statement. Also included in **Appendix A** is a description of the impact on the Related Entities of the terrorist attack on the World Trade Center (WTC).

On October 9, 2002, MTA announced plans to effect a corporate restructuring to create five distinct companies under MTA’s governance:

- MTA Subways, that would include the Transit Authority’s subway operations and SIRTOA,
- MTA Bus, that would include the Transit Authority’s and MaBSTOA’s bus operations and MSBA, and could in the future include one or more bus lines currently operated by private companies in New York City and Westchester,
- MTA Rail, that would include LIRR and MNCRC,
- MTA Bridges and Tunnels, that will retain the corporate structure of TBTA, and
- MTA Capital, a new company that would be in charge of overseeing the system expansion projects for all MTA companies.

This corporate restructuring along business lines is designed to streamline administrative functions and provide each entity with a single transportation focus. The initiative, which is expected to be implemented over a two year time frame, will be in compliance with all applicable provisions of the resolutions and laws under which MTA and TBTA issue bonds, notes and other obligations.

Where to Find Information

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

- This **Introduction** provides certain information relating to the restructuring of public debt securities by MTA and its affiliates, TBTA and the Transit Authority.
- **Part I** provides specific information about the Series 2002G Bonds.
- **Part II** describes the sources of payment and security for all MTA Transportation Revenue Bonds, including the Series 2002G Bonds.
- **Part III** provides miscellaneous information relating to the Series 2002G Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2002G Bonds.
- **Attachment 2** sets forth certain defined terms used in this official statement.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2002G Bonds.
- **Attachment 4** sets forth the form of the specimen financial guaranty insurance policy.
- **Attachment 5** sets forth certain information relating to the Initial Liquidity Facility Issuers.
- **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 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpccdata.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 under the caption "Information Included by Specific Reference" 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 and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2002G Bonds.**

Information Available at No Cost. Information filed with the repositories is also available, at no cost, on MTA's website or by contacting MTA, Attn.: Finance Department, at the address on page (i). For important information about MTA's website, *see Part III – FURTHER INFORMATION below.*

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 maximize bonding capacity, release existing reserve funds and simplify its current credit structure, 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,
- MTA State Service Contract Bonds,
- TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds, and
- MTA Dedicated Tax Fund Bonds.

Portions of Debt Restructuring Completed. MTA and TBTA have fully defeased the resolutions and/or trust agreements relating to the following bonds and notes:

- MTA Transit Facilities Revenue Bonds and Bond Anticipation Notes,
- MTA Commuter Facilities Revenue Bonds and Bond Anticipation Notes,
- MTA Subordinated Commuter Facilities Revenue Bonds (Grand Central Terminal Redevelopment Project),
- Transit Authority Subordinated Transit Facilities Revenue Bonds (Livingston Plaza Project),
- MTA Transit Facilities Service Contract Bonds (1982 and 1987 Resolutions),
- MTA Commuter Facilities Service Contract Bonds (1982 and 1987 Resolutions),
- MTA Dedicated Tax Fund Bonds,
- TBTA Special Obligation Bonds (1991 Resolution), and
- TBTA Beneficial Interest Certificates.

Effect of Debt Restructuring on MTA Capital Programs. Based on amounts currently estimated to have been generated by the completed portions of the program, and depending on market conditions as MTA issues the new money bonds related to the debt restructuring, less than the \$4.5 billion of restructuring proceeds originally forecast may be available for the 2000-2004 Capital Programs. (MTA currently estimates that the \$4.5 billion can be achieved, depending on interest rate assumptions for the remaining issues). MTA annually evaluates the status of all funding sources and projects and may, from time to time, submit amendments to the 2000-2004 Capital Programs needed to bring funding sources and expected project costs into balance. *See* DEBT RESTRUCTURING and 2002-2003 FINANCIAL PLAN AND 2000-2004 CAPITAL PROGRAMS in Appendix A.

Remaining Portions of the Debt Restructuring. Upon issuance by TBTA of approximately \$180 million aggregate principal amount of auction rate Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G on or about November 26, 2002, the entire refunding portion of the debt restructuring will be completed.

For a more detailed description of the debt restructuring, *see* "DEBT RESTRUCTURING" in Appendix A.

2003-2004 Financial Plan

MTA had previously adopted a financial plan for the years 2000 through 2004 for itself and the other Related Entities which paralleled the various Capital Programs for the 2000 through 2004 period. In the case of LIRR, MNCRC, the Transit Authority and MaBSTOA, the financial plan had projected significant operating deficits for 2003 and 2004 which MTA anticipated would be closed by a variety of actions taken before or during those years. As a result of the extraordinary circumstances relating to the terrorist attack on the WTC and its aftermath, MTA determined that it was appropriate to limit the scope of its financial plan to the 2002-2003 period (the 2002-2003 Financial Plan). The 2002-2003 Financial Plan reflects a balanced budget for 2002 for MTA and each of the Related Entities, including LIRR, MNCRC, the Transit Authority and MaBSTOA, assuming, among other things, the receipt of an advance payment of approximately \$300 million of MMTOA Receipts included in the enacted budget for the State's 2002-2003 fiscal year. *See* SOURCES OF PAYMENT – Pledged Transportation Revenues in Part II. The 2002-2003 Financial Plan also reflects a budget gap currently projected at \$663.3 million for MTA and the Related Entities for 2003. As part of its annual process of preparing budgets, MTA and the other Related Entities

are developing information regarding expenses and fare revenues and other receipts for 2003 to serve as the basis for determining the actual size of the 2003 gap which will need to be closed in the adopted budgets as well as proposed measures to close the projected gap. Estimates, both official and unofficial, as to the size of the projected gap and proposals as to the package of gap closing measures to be adopted are expected to be disseminated in the public media from time to time until MTA and the other Related Entities adopt their actual budgets for 2003. The size of the gap included in the estimates of different parties could vary significantly from that currently included in the 2002-2003 Financial Plan. In addition, proposed gap closing measures may also change over time and include differing elements depending on the source of the proposals. MTA and the other Related Entities expect to adopt balanced budgets for 2003 prior to December 31, 2002. It is currently anticipated that in conjunction with the adoption of the 2003 budgets, MTA will adopt a financial plan covering the years 2003 and 2004 and may also propose amendments to the 2000-2004 Capital Programs for the Related Entities. Such financial plan may continue to show operating gaps for 2004 for Related Entities which could be significant.

Insurance Coverage Effective October 31, 2002

Effective October 31, 2002, MTA, on behalf of the Related Entities, procured property insurance coverage with \$750 million in limits excess of a \$30 million per occurrence self-insured retention. MTA is currently in the process of purchasing additional coverage to bring the limit up to \$1 billion. The property insurance provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions, but excludes coverage for acts of terrorism and sabotage. The policy also provides extra expense and business interruption coverages.

MTA, on behalf of the Related Entities, has acquired separate coverage for acts of terrorism and sabotage in the amount of \$70 million in limits excess of a \$30 million per occurrence self-insured retention. The terrorism and sabotage policy provides business interruption coverage only for TBTA's bridges and tunnels.

In addition, excess liability insurance was renewed to provide a \$150 million in limits excess of a \$50 million per occurrence self-insured retention provided by the MTA's Excess Loss Fund. This program covers third-party liability occurrences arising out of the operations of the Related Entities.

Defined Terms

Capitalized terms not otherwise defined in this official statement have the meanings provided by **Attachment 2**.

PART I. SERIES 2002G BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2002G Bonds.

REFUNDING PLAN AND APPLICATION OF PROCEEDS

Use of Proceeds

The Series 2002G Bonds and the \$446,110,000 aggregate principal amount Transportation Revenue Refunding Bonds, Series 2002F Bonds (the Series 2002F Bonds) are being issued to provide for the payment on January 1, 2003 of \$807,190,000 Triborough Bridge and Tunnel Authority General Revenue Bond Anticipation Notes, Series 2000A (the TBTA BANs) that were issued to finance transit and commuter projects. The Series 2002F Bonds and the Series 2002G Bonds are expected to be issued at or about the same time, but the issuance of the Series 2002G Bonds is not dependent upon the simultaneous issuance of the Series 2002F Bonds.

Escrow of Government Securities

The proceeds of the Series 2002G Bonds (exclusive of financing, bond insurance, legal and miscellaneous expenses) will be used to acquire direct obligations of, or obligations guaranteed by, the United States of America, the principal of and interest on which, when due, will provide, together with any moneys which may be deposited by MTA with U.S. Bank Trust National Association, as escrow agent for the TBTA BANs, moneys sufficient to pay the principal of and interest on the TBTA BANs on January 1, 2003.

DESCRIPTION OF SERIES 2002G BONDS

Unless the context otherwise indicates, references in the following description to the "Series 2002G Bonds" apply to the Subseries 2002G-1 Bonds and the Subseries 2002G-2 Bonds independently. Purchase Price with respect to tendered Subseries 2002G-1 Bonds and Subseries 2002G-2 Bonds is payable under separate Initial Liquidity Facilities with different Initial Liquidity Facility Issuers. Actions may be taken, or determinations made, with respect to one Subseries that are not taken or made with respect to the other.

General

Variable Rate Bonds. The Series 2002G Bonds will be dated their date of delivery, mature on November 1, 2026, constitute Variable Interest Rate Obligations and bear interest from their date of delivery in the Weekly Mode. The Series 2002G Bonds will bear interest from the date of issuance to and including November 27, 2002 at a rate to be established by MTA and, thereafter, at the rate determined by the Remarketing Agent as described below. **This official statement is intended to provide disclosure only to the extent the Series 2002G Bonds remain in the Weekly Mode. In the event MTA elects to convert the Series 2002G Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2002G Bonds is paid in arrears and is computed upon the basis of a 365-day year (366 in years when February has 29 days), for the number of days actually elapsed. The maximum rate of interest on the Series 2002G Bonds (other than Bank Bonds, as hereinafter described) at any time, whether before or after the maturity thereof, is 12% per annum (the Maximum Rate). "Bank Bonds" are Series 2002G Bonds held by the Liquidity Facility Issuer as a result of a draw on the Liquidity Facility to pay the Purchase Price (as hereinafter defined) of Series 2002G Bonds that have been tendered and not remarketed and may bear interest at a rate of up to 25% per annum.

MTA has appointed Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent in connection with the remarketing of the Series 2002G Bonds. The Remarketing Agent will determine the interest rate on each Subseries of the Series 2002G Bonds separately and will remarket Series 2002G Bonds tendered or required to be tendered for purchase on a best efforts basis. The Remarketing Agent may be removed or replaced by MTA for

either or both Subseries in accordance with the Remarketing Agreement. Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend its obligation to remarket Series 2002G Bonds upon the occurrence of a default by the Insurer under the Insurance Policy or upon the suspension or termination of the Liquidity Facility relating to such Series 2002G Bonds.

Payment of Series 2002G Bonds Purchase Price. The Purchase Price of the Subseries 2002G-1 Bonds that are tendered and not remarketed on any Purchase Date is payable pursuant to a standby bond purchase agreement (the Subseries 2002G-1 Initial Liquidity Facility), by and among The Bank of Nova Scotia, acting through its New York Agency (the Subseries 2002G-1 Initial Liquidity Facility Issuer), MTA and JPMorgan Chase Bank, acting as Trustee and Tender Agent with respect to the Subseries 2002G-1 Bonds.

The Purchase Price of the Subseries 2002G-2 Bonds that are tendered and not remarketed on any Purchase Date is payable pursuant to a standby bond purchase agreement (the Subseries 2002G-2 Initial Liquidity Facility; the Subseries 2002G-1 Initial Liquidity Facility and the Subseries 2002G-2 Initial Liquidity Facility being collectively referred to herein as the Initial Liquidity Facilities), by and among Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the Subseries 2002G-2 Initial Liquidity Facility Issuer; the Subseries 2002G-1 Initial Liquidity Facility Issuer and the Subseries 2002G-2 Initial Liquidity Facility Issuer being collectively referred to herein as the Initial Liquidity Facility Issuers), MTA and JPMorgan Chase Bank, acting as Trustee and Tender Agent with respect to the Subseries 2002G-2 Bonds.

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

The Initial Liquidity Facilities are obligations of the individual banks as described herein, and one bank is not responsible for the obligations of the other bank under the Initial Liquidity Facilities. **The obligations of the Initial Liquidity Facility Issuers to purchase Series 2002G Bonds are subject to the satisfaction of certain conditions and may be terminated or suspended, in certain instances without notice or without the obligation of the related Liquidity Facility Issuer to purchase Series 2002G Bonds that have been tendered for purchase.** *See Liquidity Facilities below.*

The Purchase Price on the Subseries 2002G-1 Bonds is payable solely from the proceeds of remarketing the Subseries 2002G-1 Bonds by Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting as the Remarketing Agent with respect to the Subseries 2002G-1 Bonds, and from the proceeds from draws under the Liquidity Facility relating to the Subseries 2002G-1 Bonds. Although MTA has the option to purchase Subseries 2002G-1 Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer for the Subseries 2002G-1 Bonds, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent, the Remarketing Agent or the Insurer and failure to make such payment shall not constitute an Event of Default under the Transportation Resolution. *See Source of Funds for Purchase of Series 2002G Bonds below.*

The Purchase Price on the Subseries 2002G-2 Bonds is payable solely from the proceeds of remarketing the Subseries 2002G-2 Bonds by Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting as the Remarketing Agent with respect to the Subseries 2002G-2 Bonds, and from the proceeds from draws under the Liquidity Facility relating to the Subseries 2002G-2 Bonds. Although MTA has the option to purchase Subseries 2002G-2 Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer for the Subseries 2002G-2 Bonds, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent, the Remarketing Agent or the Insurer and failure to make such payment shall not constitute an Event of Default under the Transportation Resolution. *See Source of Funds for Purchase of Series 2002G Bonds below.*

The Initial Liquidity Facilities are scheduled to expire on November 20, 2005, unless extended or earlier terminated (in certain cases without notice) in accordance with their respective terms. *See Liquidity Facilities below.*

Credit Enhancement. The scheduled payment of principal of and interest on the Series 2002G Bonds when due will be guaranteed under a financial guaranty insurance policy (the Insurance Policy) to be issued concurrently with the delivery of the Series 2002G Bonds by Ambac Assurance Corporation (the Insurer). *See Bond Insurance below.*

Book-Entry-Only System. The Series 2002G 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 2002G Bonds. During the period during which the Series 2002G Bonds bear interest in the Weekly Mode, individual purchases will be made in book-entry-only form, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof (Authorized Denominations). So long as DTC is the registered owner of the Series 2002G Bonds, all payments on the Series 2002G Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1 – Book-Entry-Only System.**

Interest Payments. Interest on the Series 2002G Bonds is payable on the first Business Day of each month, commencing December 2, 2002. So long as DTC is the sole registered owner of all of the Series 2002G Bonds, all interest payments will be made to DTC by wire transfer of immediately available funds, and DTC's participants will be responsible for payment of interest to beneficial owners. All Series 2002G Bonds are fully registered in Authorized Denominations.

Transfers and Exchanges. So long as DTC is the securities depository for the Series 2002G Bonds, it will be the sole registered owner of the Series 2002G Bonds, and transfers of ownership interests in the Series 2002G Bonds will occur through the DTC Book-Entry-Only System.

Trustee, Paying Agent and Tender Agent. JPMorgan Chase Bank is Trustee, Paying Agent and Tender Agent with respect to the Series 2002G Bonds.

Terms Relating to the Weekly Mode

Determination of Interest Rate in the Weekly Mode. The interest rate for the Series 2002G Bonds in a Weekly Mode shall be determined by the Remarketing Agent on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the Rate Determination Date). Such interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2002G Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The interest rate shall be effective on Thursday and shall continue in effect through the next succeeding Wednesday (the Interest Period), provided that if any Series 2002G Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Series 2002G Bond shall continue in effect only until the day preceding the applicable Mode Change Date. The Remarketing Agent shall make the interest rate available by Electronic Means to each other Notice Party at or before 5:00 p.m., New York City time, on the Business Day immediately succeeding the Rate Determination Date.

In the event the Remarketing Agent fails to determine the interest rate or the method of determining the interest rate is held to be unenforceable by a court of law of competent jurisdiction, the Series 2002G Bonds will bear interest at the Alternate Rate for subsequent Interest Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel.

The Alternate Rate is

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

No Series 2002G Bond (other than a Bank Bond) may at any time bear interest at a rate that is in excess of 12%. No Bank Bond may at any time bear interest at a rate that is in excess of 25%.

Binding Effect. Each determination of the interest rate for the Series 2002G Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2002G Bonds of such Subseries, MTA, the Remarketing Agent, the Tender Agent, each Liquidity Facility Issuer, the Insurer and the Trustee.

Changes in Mode

General. Any Series 2002G Bonds may be changed to any other Mode at the times and in the manner as summarized below.

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

General Provisions Applying to Changes from One Mode to Another.

1. The Mode Change Date must be a Business Day.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 11:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
 - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
 - unless the existing Tender Agency Agreement and Remarketing Agreement is effective on the Mode Change Date, a Tender Agency Agreement and a Remarketing Agreement if required for the New Mode, and
 - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2002G Bonds of the Subseries tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof.
4. If all conditions to the Mode change are met, the interest period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent.
5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2002G Bonds of a Subseries that are the subject of the Mode change:
 - will not be subject to mandatory tender for purchase, and
 - will continue to be in the Weekly Mode.

Tender, Presentation and Purchase Provisions of the Series 2002G Bonds During the Weekly Mode

Purchase on Demand of Owners of Series 2002G Bonds in Weekly Mode. The Owners of the Series 2002G Bonds that are not Bank Bonds may elect to have such Series 2002G Bonds (or portions thereof in Authorized Denominations) purchased on a Business Day at a price (the Purchase Price) equal to the principal amount so tendered plus accrued interest (if the Purchase Date is not an Interest Payment Date) upon delivery of a

written notice of tender (the Tender Notice), or telephonic notice of tender to the Tender Agent and the Remarketing Agent, promptly confirmed in writing to the Tender Agent and the Remarketing Agent at their respective principal offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. Such Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and such tender shall occur on the Purchase Date specified in such Tender Notice. The Tender Agent shall notify the Trustee by the close of business on the next succeeding Business Day of the receipt of any Tender Notice.

During any period that Series 2002G Bonds are registered in the name of DTC or a nominee thereof pursuant to the Transportation Resolution,

- any Tender Notice delivered as described in the immediately preceding paragraph shall identify the DTC Participant through whom the beneficial owner will direct transfer,
- on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Series 2002G Bond on the records of DTC, and
- it shall not be necessary for Series 2002G Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2002G Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing such notice of tender is the beneficial owner of Series 2002G Bonds tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of Series 2002G Bonds.

Mandatory Purchase on any Mode Change Date. Except for Bank Bonds, the Series 2002G Bonds to be changed to any Mode from any other Mode are subject to a mandatory tender for purchase on the Mode Change Date at the Purchase Price equal to the principal amount thereof.

Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date and Substitution Date. Except for Bank Bonds, the Series 2002G Bonds are subject to mandatory tender for purchase on:

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

A "Substitution Date" means:

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

Notice of Mandatory Tender for Purchase. The Trustee shall, at least fifteen (15) days prior to the Expiration Tender Date with respect to the Series 2002G Bonds of a Subseries, give notice of the mandatory tender of that Subseries on such Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

Upon receipt of a written notice from the related Liquidity Facility Issuer or MTA that the Liquidity Facility supporting a Subseries of the Series 2002G Bonds will terminate or the obligation of such Liquidity Facility Issuer to purchase the Series 2002G Bonds of a Subseries thereunder will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2002G Bonds of such Subseries that is to occur on such Termination Tender Date if it has not theretofore received from the related Liquidity Facility Issuer or MTA a notice stating that the event which resulted in the Liquidity Facility Issuer or MTA giving a notice of the Termination Date has been cured and that the Liquidity Facility Issuer or MTA has rescinded its election to terminate the Liquidity Facility. Notwithstanding anything to the contrary described below, such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as described in this paragraph shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

The Trustee shall, at least fifteen (15) days prior to the Substitution Date with respect to a Liquidity Facility relating to any Subseries of the Series 2002G Bonds, give notice of the mandatory tender of the Series 2002G Bonds of such Subseries on the Substitution Date.

The Trustee shall, at least fifteen (15) days prior to any Mode Change Date for the Series 2002G Bonds of a Subseries give notice of the mandatory tender for purchase of the Series 2002G Bonds of such Subseries that is to occur on such date.

Except as provided in the third immediately preceding paragraph, notice of any mandatory tender of Series 2002G Bonds of a Subseries shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2002G Bonds of such Subseries at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Purchase Date, the Purchase Price, the place and manner of payment, that the Owner has no right to retain such Series 2002G Bond and that no further interest will accrue from and after the Mandatory Purchase Date to such Owner. Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Series 2002G Bonds of a Subseries shall in addition specify the conditions that have to be satisfied pursuant to the Transportation Resolution in order for the new Mode to become effective and the consequences that the failure to satisfy any of such conditions would have. In the event a mandatory tender of Series 2002G Bonds of a Subseries shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any Series 2002G Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Series 2002G Bonds of a Subseries subject to mandatory tender for purchase on the Mandatory Purchase Date.

Remarketing of Series 2002G Bonds of a Subseries; Notices

The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for (i) all Series 2002G Bonds of a Subseries or portions thereof as to which a Tender Notice has been given and (ii) all Series 2002G Bonds of a Subseries required to be tendered for purchase. No Series 2002G Bond shall be remarketed (x) to MTA, or any affiliate of MTA, nor shall any Bank Bonds be remarketed unless the related Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Series 2002G Bonds became Bank Bonds, and (y) at a price that is less than the Purchase Price of such Series 2002G Bonds.

Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend remarketing of the Series 2002G Bonds upon the occurrence of a default by the Insurer under the Insurance Policy or upon the suspension or termination of the Liquidity Facility relating to such Series 2002G Bonds.

Notice of Remarketing; Registration Instructions; New Series 2002G Bonds

(i) The Remarketing Agent shall notify the Tender Agent not later than 11:45 a.m. on the Purchase Date or Mandatory Purchase Date of the registration instructions as may be necessary to re-register Series 2002G Bonds; and

(ii) Unless otherwise permitted by DTC and DTC's book-entry-only system applicable to a Subseries of the Series 2002G Bonds, the Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 12:30 p.m. on the Purchase Date or Mandatory Tender Date new Series 2002G Bonds of a Subseries for the respective purchasers thereof.

Transfer of Funds

(i) The Remarketing Agent shall at or before 11:45 a.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, (x) notify MTA, the Trustee and the Tender Agent by Electronic Means of the amount of Tendered Series 2002G Bonds (as hereinafter defined) that were not successfully remarketed, and (y) confirm to the Trustee and the Tender Agent the transfer of the Purchase Price of remarketed Series 2002G Bonds to the Tender Agent in immediately available funds at or before 12:00 (noon), such information to include pertinent Fed Wire reference number.

(ii) The Trustee shall draw on the related Liquidity Facility, in accordance with the terms thereof, by 12:25 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price of all Series 2002G Bonds of the Subseries tendered or deemed tendered less the aggregate amount of remarketing proceeds confirmed to the Trustee and the Tender Agent by the Remarketing Agent as described in clause (i) above and shall cause the proceeds of such draw to be transferred to the Tender Agent by no later than 2:30 p.m. Notwithstanding the foregoing, the Trustee shall draw on the Liquidity Facility, if any, in an amount equal to the Purchase Price of all Series 2002G Bonds of the Subseries tendered or deemed tendered for purchase on each Purchase Date or Mandatory Purchase Date, as the case may be, if it does not receive a confirmation from the Remarketing Agent as described in clause (i) above.

(iii) The Tender Agent shall confirm to MTA and the Trustee by 2:40 p.m. on the Purchase Date or Mandatory Purchase Date, receipt of the proceeds of any draw on the related Liquidity Facility.

The Trustee shall not draw on a Liquidity Facility with respect to the Purchase Price of Bank Bonds or Series 2002G Bonds owned by MTA or any subsidiary or affiliate of MTA or the Liquidity Facility Issuer.

Source of Funds for Purchase of Series 2002G Bonds

On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Series 2002G Bonds of a Subseries, the Tender Agent shall purchase such Series 2002G Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

- immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of Series 2002G Bonds; and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Liquidity Facility relating to such Series 2002G Bonds.

Notwithstanding the foregoing, MTA shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Series 2002G Bond that is tendered or deemed tendered as described in this official statement and the Purchase Price of which is not paid on the Purchase Date or Mandatory Purchase Date from any of the sources identified above. None of the MTA, the Trustee, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or, except from the sources identified above, make available such Purchase Price. The failure to pay any such Purchase Price for Series 2002G Bonds that have been tendered or deemed tendered for purchase from any of the sources identified

above shall not constitute an Event of Default under the Transportation Resolution and in the case of such failure such Series 2002G Bonds shall not be purchased and shall remain in the Weekly Mode.

Delivery of Remarketed Series 2002G Bonds

Except as otherwise required or permitted by DTC's book-entry-only system, remarketed Series 2002G Bonds sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Remarketed Bonds by 3:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be.

Delivery and Payment for Purchased Series 2002G Bonds of a Subseries; Undelivered Series 2002G Bonds

Except as otherwise required or permitted by DTC's book-entry-only system, Series 2002G Bonds that are to be tendered shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, that payment of the Purchase Price of any Series 2002G Bond purchased pursuant to the optional tender provisions shall be made only if such Series 2002G Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the Tender Notice.

Payment of the Purchase Price will be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be, or, if the Owner has not provided wire transfer instructions, by check mailed to the Owner at the address appearing in the Trustee's books.

If Series 2002G Bonds are not delivered by 12:00 noon, the Tender Agent will hold any funds received for the purchase of the Series 2002G Bonds that are tendered or deemed tendered in trust in a separate account and shall pay such funds upon presentation. Any such amounts shall be held uninvested. Such undelivered Series 2002G Bonds shall be deemed tendered and cease to accrue interest as to the former Owners on the Purchase Date or the Mandatory Purchase Date, as the case may be, and moneys representing the Purchase Price shall be available against delivery of those Series 2002G Bonds at the principal office of the Tender Agent; provided, however, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such Series 2002G Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by MTA and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to MTA free of any trust or lien and thereafter the former Owner of such Series 2002G Bond shall look only to MTA and then only to the extent of the amounts so received by MTA without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Series 2002G Bonds. The Tender Agent shall authenticate a replacement Series 2002G Bond for any undelivered Series 2002G Bond which may then be remarketed by the Remarketing Agent.

Redemption Provisions During the Weekly Mode

The Series 2002G Bonds are redeemable prior to maturity on such dates and at such prices during the Weekly Mode as are set forth below.

Mandatory Sinking Fund Redemption. The Series 2002G Bonds are subject to redemption in part on November 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year set forth below the principal amount of such Series 2002G Bonds specified for each of the years shown below:

Sinking Fund Installments

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
11/1/13	\$11,800,000	11/1/20	\$31,030,000
11/1/14	24,540,000	11/1/21	32,300,000
11/1/15	25,520,000	11/1/22	33,590,000
11/1/16	26,510,000	11/1/23	34,930,000
11/1/17	27,600,000	11/1/24	36,320,000
11/1/18	28,710,000	11/1/25	37,780,000
11/1/19	29,860,000	11/1/26	19,510,000

* Final maturity

Unless otherwise directed by MTA, each Subseries of the Series 2002G Bonds shall be redeemed with the proceeds from such Sinking Fund Installments *pro rata*, subject to rounding in accordance with authorized denominations.

Credit Toward Mandatory Sinking Fund Redemption. MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and if taken, thereafter reduce the amount of term Series 2002G Bonds of either Subseries otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase term Series 2002G Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due.
- If MTA purchases or redeems term Series 2002G Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installment requirements in any order, and in any annual amount, that the MTA may direct.

Optional Redemption. The Series 2002G Bonds are subject to redemption prior to maturity as a whole or in part (in accordance with procedures of DTC, so long as DTC is the Owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper), on any Business Day, subject to applicable notice, at a Redemption Price equal to the principal amount thereof, without premium, plus accrued interest up to but not including the redemption date. If any such optional redemption such occur, MTA will redeem Bank Bonds first.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2002G Bonds, prior to maturity, as a whole, on any interest payment date not less than twenty years after the date of issue of the Series 2002G Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2002G Bonds in the case of redemption as a whole on the redemption date. The MTA Act further provides that the City, upon furnishing sufficient funds, may require MTA to redeem the Series 2002G Bonds, as a whole, but only in accordance with the terms upon which the Series 2002G Bonds are otherwise redeemable.

Redemption of Bank Bonds. The Bank Bonds shall be subject to optional and mandatory redemption under the same terms and conditions as provided with respect to other Series 2002G Bonds of a Subseries. The Bank Bonds shall also be subject to mandatory redemption at the times and under the terms and conditions as provided in the Liquidity Facility relating to such Bank Bonds.

Redemption in Part; Bank Bonds To Be Redeemed First. In the event of a redemption of less than all the Series 2002G Bonds of a Subseries, the Trustee shall in accordance with the Transportation Resolution first select for redemption all then outstanding Bank Bonds prior to selecting for redemption any Series 2002G Bonds of such Subseries which are not Bank Bonds unless the related Liquidity Facility Issuer shall be in default under the related

Liquidity Facility, in which case, the Trustee shall at the written direction of MTA, select for redemption all then outstanding Series 2002G Bonds of such Subseries in accordance with such direction.

Redemption Notices. So long as DTC is the securities depository for the Series 2002G Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2002G 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 2002G Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

Effect of Call for Redemption. If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2002G Bonds called for redemption will become due and payable. If the Trustee gives a conditional notice of redemption and holds money to pay the redemption price of the affected Series 2002G Bonds, then on the redemption date the Series 2002G Bonds called for redemption will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the Series 2002G Bonds called for redemption, thereafter, no interest will accrue on those Series 2002G Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2002G Bonds.

Amendments

The provisions of the Transportation Resolution, with respect to a Subseries of the Series 2002G Bonds, may be modified or amended pursuant to the Transportation Resolution by obtaining, when required by the Transportation Resolution, the consent of the Owners of all Series 2002G Bonds of such Subseries, or, in lieu thereof as permitted by the Transportation Resolution, the Insurer. All Owners of the Series 2002G Bonds of a Subseries will be deemed to have consented to a modification or amendment if on the 30th day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Trustee mailed notice of such proposed modification or amendment to the Owners of the Series 2002G Bonds of such Subseries there is delivered to the Trustee –

- a certificate of the Tender Agent to the effect that all Series 2002G Bonds of such Subseries that have been optionally tendered for purchase by their Owners after the date on which the Trustee mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof,
- a written consent of the Remarketing Agent to the proposed modification or amendment, and
- a Favorable Opinion of Bond Counsel.

Liquidity Facilities

General Description. The Series 2002G Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2002G Bonds of a Subseries tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2002G Bonds) will be funded only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Liquidity Facility relating to the Series 2002G Bonds of such Subseries. Although MTA has the option to purchase Subseries 2002G Bonds that have been neither remarketed nor purchased by the related Liquidity Facility Issuer, it is not obligated to do so. *See Tender, Presentation and Purchase Provisions of the Series 2002G Bonds During the Weekly Mode and Source of Funds for Purchase of Series 2002G Bonds above. See Attachment 5 – Initial Liquidity Facility Issuers for information regarding the Initial Liquidity Facility Issuers.*

Unless the context otherwise indicates, references in the following descriptions to the “Series 2002G Bonds” apply to the Subseries 2002G-1 Bonds and Subseries 2002G-2 Bonds independently and the references to “Initial Liquidity Facility” and “Initial Liquidity Facility Issuer” apply to the Subseries 2002G-1 Initial Liquidity Facility and Subseries 2002G-1 Initial Liquidity Facility Issuer or the Subseries 2002G-2 Initial Liquidity Facility and the Subseries 2002G-2 Initial Liquidity Facility Issuer, as appropriate.

Subject to certain conditions described below, the Initial Liquidity Facility Issuer will purchase from time to time during the period from the date of delivery of the Series 2002G Bonds to and including November 8, 2005 (unless extended) or earlier termination of the Initial Liquidity Facility, any Tendered Series 2002G Bonds which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the Transportation Resolution. The price to be paid by the Initial Liquidity Facility Issuer pursuant to the Initial Liquidity Facility for purchased Series 2002G Bonds will be equal to the aggregate principal amount of such Series 2002G Bonds plus accrued interest thereon (up to 35 days of interest calculated at an aggregate rate not to exceed 12% per annum based on a year of 365 days), if any, other than defaulted interest, to the date of such purchase. Upon any purchase of Series 2002G Bonds with amounts realized under the Initial Liquidity Facility, the commitment of the Initial Liquidity Facility Issuer to purchase Series 2002G Bonds shall be reduced by the Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2002G Bonds from the Initial Liquidity Facility Issuer, all in accordance with the Initial Liquidity Facility.

Neither of the Initial Liquidity Facilities provides security for the scheduled payment of principal or interest or premium, if any, on the Series 2002G Bonds, and the funds drawn thereunder may not be used for such purposes.

AS DESCRIBED BELOW, EACH INITIAL LIQUIDITY FACILITY PROVIDES THAT THE OBLIGATION OF THE RESPECTIVE INITIAL LIQUIDITY FACILITY ISSUER TO PURCHASE SERIES 2002G BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE, MAY BE IMMEDIATELY SUSPENDED OR TERMINATED UPON THE OCCURRENCE OF CERTAIN EVENTS WITHOUT NOTICE TO THE OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2002G BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE. FAILURE TO PAY THE PURCHASE PRICE OF SERIES 2002G BONDS TENDERED OR DEEMED TENDERED FOR PURCHASE SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE TRANSPORTATION RESOLUTION.

Immediate Suspension or Termination Events. The occurrence of certain suspension or termination events under the Initial Liquidity Facilities may result in an immediate suspension or termination of the Initial Liquidity Facility Issuers’ commitment to purchase Tendered Series 2002G Bonds or may entitle the Initial Liquidity Facility Issuer to suspend or terminate its obligations under the Initial Liquidity Facility. In the case of the following suspension or termination events, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2002G Bonds shall immediately suspend or terminate without notice or demand, and thereafter the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2002G Bonds:

Each of the following events constitutes a “termination event” under each Initial Liquidity Facility:

- (a) any principal or interest due on the Series 2002G Bonds is not paid by MTA when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or
- (b) (i) any material provision of the Insurance Policy at any time for any reason ceases to be valid and binding on the Insurer in accordance with the terms of the Insurance Policy or is declared to be null and void by a final non-appealable order of a court or other governmental agency of appropriate jurisdiction, or (ii) the validity or enforceability thereof is contested by the Insurer in writing or any governmental agency or authority, or the Insurer denies in writing that it has any or further liability or obligation under the Insurance Policy; or
- (c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Insurer or for

- any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated within sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding or the Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Insurer shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry or an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or
- (d) (i) MTA shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or (ii) a case or other proceeding shall be commenced against MTA in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of MTA, or of all or a substantial part of its property, and any such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against MTA (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered; or
 - (e) any material provision of the Transportation Resolution shall cease to be a valid and binding agreement of MTA or MTA shall contest the enforceability or validity thereof; or
 - (f) the Insurer shall default in any payment or payments of amounts payable by it under any insurance policies insuring any securities (other than the Insurance Policy) when due, and such default shall continue for a period of ten (10) days; or
 - (g) any representation or warranty made by MTA under or in connection with the Initial Liquidity Facility or any of the Related Documents (as defined in the Initial Liquidity Facility) shall prove to be untrue in any material respect on the date as of which it was made; or
 - (h) nonpayment of certain fees due under the Initial Liquidity Facility within ten (10) Business Days after the Trustee, the Insurer and MTA have received written notice from the Initial Liquidity Facility Issuer that the same were not paid when due; or
 - (i) nonpayment of any other fees, or any other amount when due under the Initial Liquidity Facility, if such failure to pay when due shall continue for ten (10) Business Days after written notice thereon to the Trustee, MTA and the Insurer by the Initial Liquidity Facility Issuer; or
 - (j) the breach by MTA of any of the terms or provisions of certain covenants set forth in the Initial Liquidity Facility; or

- (k) the breach by MTA of any of the other terms or provisions of the Initial Liquidity Facility which is not remedied within thirty (30) days after written notice thereof shall have been received by MTA from the Initial Liquidity Facility Issuer; or
- (l) a downgrade in the rating of the Insurer to or below “Baa3” (or its equivalent), in the case of Moody’s, “BBB-” (or its equivalent), in the case of S&P, and “BBB-“ (or its equivalent), in the case of Fitch, or the suspension or withdrawal of the Insurer’s claims-paying ability by Moody’s, S&P and Fitch; or
- (m) any “event of default” shall have occurred and be continuing under the Transportation Resolution and the applicable cure period shall have elapsed.

Upon the occurrence of a termination event specified in paragraph (a), (b)(i), (c), (f) and (l) above, the available commitment and the obligation of the Initial Liquidity Facility Issuer to purchase Series 2002G Bonds shall, except as provided in the next paragraph, immediately terminate without notice or demand, and thereafter the Initial Liquidity Facility Issuer shall be under no obligation to purchase Series 2002G Bonds. Promptly after receiving written notice of such termination event, the Initial Liquidity Facility Issuer is to give written notice of the same to the Trustee, the Insurer, MTA and the Remarketing Agent; provided, that the Initial Liquidity Facility Issuer shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Initial Liquidity Facility Issuer’s available commitment and its obligation to purchase Tendered Series 2002G Bonds pursuant to the Initial Liquidity Facility.

Upon the occurrence of a termination event described in paragraph (b)(ii) above, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2002G Bonds is immediately and automatically suspended, without notice, and the Initial Liquidity Facility Issuer is under no further obligation under the Initial Liquidity Facility to purchase Tendered Series 2002G Bonds until a final nonappealable order of a court having jurisdiction in the premises shall be entered declaring that the Insurance Policy and the obligations of the Insurer thereunder are upheld in its entirety. In the event such final nonappealable order is entered declaring the Insurance Policy null and void, or declaring that the Insurer does not have any further liability or obligation under the Insurance Policy, then the Initial Liquidity Facility Issuer’s obligation to purchase Tendered Series 2002G Bonds shall immediately terminate. In the event such order is entered declaring that the Insurance Policy is and the obligations of the Insurer thereunder are upheld in its entirety, the Initial Liquidity Facility Issuer’s obligations under the Initial Liquidity Facility to purchase Tendered Series 2002G Bonds shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise be terminated by its terms or there has occurred and is continuing an event causing the suspension of the Initial Liquidity Facility Issuer’s obligations to purchase Tendered 2002G Bonds pursuant to this paragraph) as if there has been no such suspension. Notwithstanding the foregoing, if, upon the earlier of the Purchase Termination Date or Termination Date or the date which is two (2) years after the effective date of suspension of the Initial Liquidity Facility Issuer’s obligations pursuant to this paragraph, litigation is still pending and a judgment regarding the validity of the entire Insurance Policy has not been obtained, then the available commitment and the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2002G Bonds shall at such time terminate without notice or demand and thereafter, the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2002G Bonds. In the case of an event which with the passage of time would become a termination event pursuant to paragraph (c) or (f) above, the Initial Liquidity Facility Issuer may suspend its obligation to purchase Tendered Series 2002G Bonds without prior notice to MTA, the Trustee, the Tender Agent and the Insurer. If such event is remedied prior to becoming a termination event, the Initial Liquidity Facility Issuer’s obligation to purchase Tendered Series 2002G Bonds shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall have otherwise terminated by its terms or there has occurred and is continuing an event causing a suspension of the Initial Liquidity Facility Issuer’s obligations to purchase Tendered 2002G Bonds pursuant to this paragraph).

In the case of a termination event described in clause (d), (e), (g), (h), (i), (j), (k) and (m) above, the Initial Liquidity Facility Issuer may terminate the available commitment to purchase Tendered Series 2002G Bonds by giving written notice of such termination (a “termination notice”) to MTA, the Trustee and the Insurer, specifying the date on which the available commitment will terminate (the “termination date”), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the termination date, the Initial Liquidity Facility Issuer shall be under no further obligation to purchase Tendered Series 2002G Bonds other

than Series 2002G Bonds which are the subject of a notice of purchase received by the Initial Liquidity Facility Issuer prior to the termination date, and MTA shall, upon written request of the Initial Liquidity Facility Issuer, use its best efforts (taking into account current market conditions) to convert all of the Series 2002G Bonds to a fixed rate in accordance with the Transportation Resolution.

Bond Insurance

General. The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Attachment 4 for a specimen of the Insurer's financial guaranty insurance policy. MTA has granted to the Insurer certain rights authorized under Section A-202 of the Transportation Resolution, including the right to be deemed the sole owner of the Series 2002G Bonds whenever the approval, consent or action of the owners is required. *See Definitions and Summary of Certain Provisions of the Standard Resolution Provisions included by specific reference herein.*

Payment of the principal of and interest when due on the Series 2002G Bonds (but not Purchase Price) will be insured by the Insurance Policy issued by the Insurer simultaneously with the issuance of the Series 2002G Bonds.

Payment Pursuant to Financial Guaranty Insurance Policy. The Insurer has made a commitment to issue the Insurance Policy relating to the Series 2002G Bonds effective as of the date of issuance of the Series 2002G Bonds. Under the terms of the Insurance Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the Insurance Trustee) that portion of the principal of and interest on the Series 2002G Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2002G Bonds and, once issued, cannot be canceled by the Insurer.

The Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2002G Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2002G Bonds, the Insurer will remain obligated to pay principal of and interest on outstanding Series 2002G Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2002G Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2002G Bond which has become Due for Payment and which is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Insurance Policy, payment of principal requires surrender of the Series 2002G Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2002G Bonds to be registered in the name of the Insurer to the extent of the payment under the Insurance Policy. Payment of interest pursuant to the Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

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

The Insurance Policy does not insure against loss relating to payments of the purchase price of Series 2002G Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of the Series 2002G Bonds upon tender by a registered owner thereof.

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

Ambac Assurance Corporation. The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$5,587,000,000 (unaudited) and statutory capital of approximately \$3,453,000,000 (unaudited) as of June 30, 2002. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2002G Bonds.

The Insurer makes no representation regarding the Series 2002G Bonds or the advisability of investing in the Series 2002G Bonds and makes no representation regarding, nor has it participated in the preparation of, the official statement other than the information supplied by the Insurer and presented in **Attachment 4**.

Available Information. The parent company of the Insurer, Ambac Financial Group, Inc. (the Company), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the NYSE), 20 Broad Street, New York, New York 10005.

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

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

1. The Company's Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002;

2. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;
3. The Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
5. The Company's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
6. The Company's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002;
7. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002; and
8. The Company's Current Report on Form 8-K dated October 16, 2002 and filed on October 17, 2002.

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

Debt Service on the Transportation Revenue Bonds

Table 1 on the following page sets forth, on a cash basis, (1) debt service on the (a) outstanding Transportation Revenue Bonds, and (b) Series 2002F Bonds, (2) estimated debt service on the Series 2002G Bonds, and (3) debt service, on an aggregate basis, on all Transportation Revenue Bonds after the issuance of the Series 2002F and Series 2002G Bonds.

Table 1
Aggregate Debt Service
(In Thousands)

Year Ending November 15	Outstanding Bonds ⁽¹⁾	Series 2002F Bonds ⁽²⁾	Estimated Series 2002G Bonds ⁽³⁾	Aggregate Debt Service ⁽⁴⁾
2003	\$ 196,088	\$ 36,696	\$ 15,167	\$ 247,951
2004	262,522	36,557	16,044	315,123
2005	263,478	36,596	16,000	316,074
2006	264,986	36,595	16,000	317,581
2007	267,081	36,594	16,000	319,675
2008	267,915	36,548	16,044	320,507
2009	268,509	36,593	16,000	321,102
2010	269,143	36,592	16,000	321,735
2011	269,822	36,594	16,000	322,416
2012	270,556	36,549	16,044	323,149
2013	271,277	24,793	27,800	323,871
2014	271,410	12,521	40,068	323,999
2015	271,549	12,521	40,066	324,137
2016	271,696	12,521	40,073	324,290
2017	271,850	12,521	40,065	324,437
2018	272,015	12,521	40,071	324,608
2019	272,171	12,521	40,073	324,765
2020	272,452	12,521	40,073	325,047
2021	273,228	12,521	40,077	325,826
2022	274,105	12,521	40,075	326,701
2023	275,136	12,521	40,072	327,729
2024	275,460	12,521	40,075	328,056
2025	275,799	12,521	40,072	328,392
2026	276,158	32,301	20,290	328,749
2027	276,529	52,593		329,122
2028	276,921	52,595		329,516
2029	277,338	52,591		329,930
2030	277,676	52,595		330,271
2031	278,001	52,595		330,596
2032	299,684			299,684
Total	<u>\$8,110,556</u>	<u>\$836,234</u>	<u>\$688,249</u>	<u>\$9,635,039</u>

(1) Includes the following variable rate assumptions for debt service: \$210,500,000 Transportation Revenue Variable Rate Refunding Bonds, Series 2002B (at an assumed variable interest rate of 4% per annum and including net payments made by MTA under the swap agreement relating thereto); \$219,600,000 Taxable Transportation Revenue Variable Rate Refunding Bonds, Series 2002C at an assumed taxable variable interest rate of 4.5% per annum, and the \$400,000,000 Transportation Revenue Variable Rate Refunding Bonds, Series 2002D Bonds (at an assumed variable interest rate of 4% per annum and including net payments made by MTA under the swap agreements relating thereto).

(2) Based on a bond purchase agreement entered into by MTA on November 14, 2002, with an expected delivery date of November 20, 2002.

(3) Assumes variable interest at the rate of 4% per annum.

(4) Totals may not add due to rounding. Includes the assumptions set forth in footnotes 1, 2 and 3.

PART II. SOURCES OF PAYMENT AND SECURITY FOR MTA TRANSPORTATION REVENUE BONDS

Part II of this official statement describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2002G Bonds.

SOURCES OF PAYMENT

Pledged Transportation Revenues

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

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, LIRR and MNCRC) and affiliates (currently, the Transit Authority and MaBSTOA), and its receipts from many of these sources are pledged for the payment of Transportation Revenue Bonds. The Transportation Resolution provides that bondholders are to be paid from pledged revenues prior to the payment of operating or other expenses, and as described in more detail below. MTA has covenanted to impose fares and other charges so that pledged revenues, together with other available moneys, will be sufficient to cover all debt service and operating and capital costs of the systems. See FACTORS AFFECTING REVENUES – Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses *below*.

Table 2 sets forth the following for each of the last 5 years on a cash basis and for the current year on a budgeted basis:

- by general category, the amount of pledged revenues (calculated in accordance with the new Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in **Appendix A** under the heading Revenues of the Related Entities,
- the amount of debt service on the Old Farebox Bonds, and
- the amount of transit and commuter operating expenses.

The following pro forma table gives effect to the combined revenues of the Transit System and Commuter System as if the new Transportation Revenue Bond credit has been in place before the debt restructuring and is based on the historical audited financial statements of MTA and its subsidiaries, LIRR and MNCRC, and the Transit Authority and its subsidiary MaBSTOA. The pro forma information contained in the table has been prepared by MTA management based upon historical financial statements and notes (the last two calendar years of which are incorporated by specific reference herein) which should be read in connection with this pro forma information. This pro forma information may not be indicative of future results of operations and financial condition.

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

	Years Ended December 31,					
	1997	1998	1999	2000	2001	2002 Budgeted ⁽¹⁾
Revenues from Systems Operations						
Fares from Transit System	\$2,047	\$1,994	\$2,000	\$2,116	\$2,141	\$2,103
Fares from Commuter System	621	640	656	688	698	704
Other Income ⁽²⁾	78	70	101	121	138	145
Subtotal – Operating Revenues	2,746	2,704	2,757	2,925	2,977	2,952
Revenues from TBTA Surplus	316	371	363	360	311	229
Revenues from Governmental Sources						
State and Local General Operating Subsidies	376	372	379	404	424	412
Special Tax-Supported Operating Subsidies						
DTF Excess ⁽³⁾	235	232	213	205	256	226
MMTOA Receipts	705	839	670	785	778	1,113
Urban Tax	82	173	173	180	216	138
Subtotal Special Tax-Supported Operating Subsidies	1,022	1,244	1,056	1,170	1,250	1,477
Station Maintenance and Service Reimbursements	269	219	294	270	278	305
Revenues from Investment of Capital Program Funds ⁽⁴⁾	151	197	147	155	137	34
Subtotal – Non-Operating Revenues⁽⁵⁾	2,134	2,403	2,239	2,359	2,400	2,457
Total Pro Forma Transportation Resolution Pledged Revenues	\$4,880	\$5,107	\$4,996	\$5,284	\$5,377	\$5,409
Debt Service⁽⁶⁾	\$252	\$302	\$343	\$380	\$378	\$324
Transit Operating Expenses	\$2,908	\$3,012	\$3,222	\$3,521	\$3,589	\$3,834
Commuter Operating Expenses	1,096	1,132	1,219	1,346	1,347	1,449
Total Operating Expenses	\$4,004	\$4,144	\$4,441	\$4,867	\$4,936	\$5,283
Total Operating Expenses and Debt Service	\$4,256	\$4,446	\$4,784	\$5,247	\$5,314	\$5,607

- (1) 2002 budgeted numbers adopted by the MTA Board in December, 2001 exclude WTC-related insurance recoveries.
- (2) Other income in the case of the Transit System includes advertising revenues, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.
- (3) Calculated by subtracting the debt service payments on the MTA Dedicated Tax Fund bonds from the MTF Receipts described in APPENDIX A under the caption MTA DEDICATED TAX FUND REVENUES.
- (4) Represents investment income on capital program funds held by MTA for the benefit of the transit and commuter capital programs on an accrual basis. The 2002 budgeted number assumes the application of a significant portion of these funds to the cash defeasance of certain bonds during the debt restructuring.
- (5) Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), Station Maintenance and Service Reimbursements, and Revenues from Investment of Capital Program Funds.
- (6) Actuals for the years 1997-2001 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year; assumes debt service on the Old Farebox Bonds before, and the 2002 budgeted number for the new Transportation Revenue Bonds after, the completion of the debt restructuring, which was assumed to occur in July, 2002.

The following should be noted in Table 2:

- “Fares from Transit System” declined between 1997 and 1998 primarily due to the extension of MetroCard discounts and the implementation of free intermodal transfers.
- The level of TBTA Surplus available to the Transit and Commuter Systems is scheduled to decline following the debt restructuring due primarily to the fact that certain TBTA bonds outstanding prior to the debt restructuring were secured in the first instance by certain mortgage recording tax revenues and then, to the extent of any deficiency, by TBTA net revenues. The bonds secured by the mortgage recording taxes are being defeased in full and replaced by bonds secured by TBTA net revenues. The mortgage recording taxes that are no longer pledged under the bond resolutions after the debt restructuring will be paid to MTA for headquarters purposes, including transit and commuter purposes.
- “MMTOA Receipts” in 1998 are higher than they should have been due to an unintended advancement of certain revenues into the 1998 fiscal year and the correction of that advancement in the following year. The increased amount reflected in the 2002 budgeted column reflects the planned advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$300 million) included in the enacted budget for the 2002-2003 State fiscal year. Beginning in 2003, MTA will continue to receive annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year’s receipts similarly advanced. MTA will monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary.
- The “Urban Tax” collection reflects the activity level of certain residential and commercial real estate transactions in the City.
- The uneven receipt of “Station Maintenance and Service Reimbursements” reflects the late payment of certain amounts in 1998 that were subsequently paid in 1999.
- “Revenues from Investment of Capital Program Funds” increased in 1998 primarily due to increased bond issuance during this period. Substantially all of the Investment Income is generated from bond proceeds, such as reserve funds and funds held in anticipation of expenditure on project costs. Since one of the goals of the debt restructuring is to eliminate debt service reserve funds, it is expected that Investment Income will decrease substantially after the restructuring is completed.
- 2002 Budgeted Total Operating Expenses and Debt Service are higher than Total Pro Forma Transportation Resolution Pledged Revenues; however, additional non-pledged revenues, including mortgage recording taxes, concession revenues at Pennsylvania Station and Grand Central Terminal, and the drawdown of cash balances are expected to result in balanced budgets for 2002.

Description of Pledged Revenues

Each of the following revenues is described in more detail in **Appendix A** *under the caption* Revenues of the Related Entities.

Revenues from Systems Operations.

- ***Fares from the transit and commuter systems*** – For *transit*, while the basic fare of \$1.50 per trip on its subway and buses has been constant since 1995, a variety of discounted fare arrangements has lowered the average fare to substantially less than that (\$1.06 in 2001); and for *commuter*, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including \$60 and \$63 MetroCards), and for senior citizens and the handicapped.

- **Other Income** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MNCRC) and Pennsylvania Station (the main station for LIRR), however, are not included within these amounts pledged.

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

Revenues from Governmental Sources.

- General operating subsidies from the State and local governments – Under the State’s Section 18-b program, MTA receives –
 - o subsidies for transit from the State and matching subsidies from New York City, and
 - o subsidies for commuter from the State and matching subsidies from New York City and the seven counties in the MTA district.
- **Special tax-supported operating subsidies** – MTA receives subsidies from a number of sources including –
 - o portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
 - the state-wide business privilege tax imposed on petroleum businesses in the State, referred to as the PBT,
 - the motor fuel tax on gasoline and diesel fuel, and
 - certain motor vehicle fees, including both registration and non-registration fees; and
 - o portions of the following mass transportation operating assistance or MTOA taxes, which state law requires first be used to pay debt service on MTA’s Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—
 - the regional PBT (in addition to the state-wide portion described above), which is referred to as the MTOA PBT,
 - the sales and compensating use tax within the MTA transportation district,
 - two franchise taxes imposed on certain transportation and transmission companies, and
 - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
 - o a portion of the amounts collected by the City for the benefit of the transit system from certain mortgage transfer and recording taxes.
- **Station maintenance and service reimbursements** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the transit system and contributes to

support the Transit Authority's paratransit, senior-citizen and school-children programs. Also, MNCRC receives certain payments from the Connecticut Department of Transportation for its share of the operating deficits of the New Haven rail line.

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

Factors Affecting Revenues

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

Fare Policy. MTA determines the rate or rates of fares charged to users of the commuter system, and the Transit Authority and MaBSTOA, together with MTA, do the same for the transit system. After adopting operating expense budgets and assessing the availability of governmental subsidies, each makes a determination of fares necessary to operate on a self-sustaining cash basis in compliance with State law and covenants in the Transportation Resolution. Considering the impact of increased fares on riders and on the regional economy, MTA's policy is to attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares. As a result, even though MTA does not generally need other governmental approvals before setting fares, the amount and timing of fare increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. MTA's obligation to obtain approval of fare increases on the New Haven line from the Connecticut Department of Transportation can also affect the amount and timing of fare increases.

Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses. MTA's transit and commuter systems have depended, and are expected to continue to depend, upon government subsidies to meet capital and operating needs. Thus, even though MTA is legally obligated by the rate covenant to raise fares sufficiently to cover all capital and operating costs, there can be no assurance that there is any level at which transit and commuter system fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budgets prepared in connection with 2002 and the forecasts prepared in connection with 2003) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

Operating Results and Projections. MTA projects that the budgets for the transit system and the commuter system will be balanced on a cash basis for the current calendar year. After that, both systems may be forced to institute cost reductions or take other actions to close projected budget gaps.

2002-2003 Financial Plan. MTA had previously adopted a financial plan for the years 2000 through 2004 for itself and the other Related Entities which paralleled the various Capital Programs for the 2000 through 2004 period. In the case of LIRR, MNCRC, the Transit Authority and MaBSTOA, the financial plan had projected significant operating deficits for 2003 and 2004 which MTA anticipated would be closed by a variety of actions taken before or during those years. As a result of the extraordinary circumstances relating to the terrorist attack on the WTC and its aftermath, MTA determined that it was appropriate to limit the scope of its financial plan to the 2002-2003 period (the 2002-2003 Financial Plan). The 2002-2003 Financial Plan reflects a balanced budget for 2002 for MTA and each of the Related Entities, including LIRR, MNCRC, the Transit Authority and MaBSTOA, assuming, among other things, the receipt of an advance payment of approximately \$300 million of MMTOA Receipts included in the enacted budget for the State's 2002-2003 fiscal year. *See SOURCES OF PAYMENT – Pledged Transportation Revenues in Part II.* The 2002-2003 Financial Plan also reflects a budget gap currently projected at \$663.3 million for MTA and the Related Entities for 2003. As part of its annual process of preparing budgets, MTA and the other Related Entities are developing information regarding expenses and fare revenues and other receipts for 2003 to serve as the basis for determining the actual size of the 2003 gap which will need to be closed in the adopted budgets as well as proposed measures to close the projected gap. Estimates, both official and unofficial, as to the size of the projected gap and proposals as to the package of gap closing measures to be adopted

are expected to be disseminated in the public media from time to time until MTA and the other Related Entities adopt their actual budgets for 2003. The size of the gap included in the estimates of different parties could vary significantly from that currently included in the 2002-2003 Financial Plan. In addition, proposed gap closing measures may also change over time and include differing elements depending on the source of the proposals. MTA and the other Related Entities expect to adopt balanced budgets for 2003 prior to December 31, 2002. It is currently anticipated that in conjunction with the adoption of the 2003 budgets, MTA will adopt a financial plan covering the years 2003 and 2004 and may also propose amendments to the 2000-2004 Capital Programs for the Related Entities. Such financial plan may continue to show operating gaps for 2004 for Related Entities which could be significant.

The 2002-2003 Financial Plan and the 2000-2004 Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the 2002-2003 Financial Plan and 2000-2004 Capital Programs, as well as on pledged revenues. *See Appendix A — “THE RELATED ENTITIES — 2002-2003 Financial Plan and 2000-2004 Capital Programs — 2002-2003 Financial Plan – Implementation of the 2002-2003 Financial Plan,” and see Appendix A — “THE RELATED ENTITIES – 2002-2003 Financial Plan and 2000-2004 Capital Programs – 2000-2004 Capital Programs.”*

TBTA Operating Surplus. The amount of TBTA operating surplus to be used for the transit and commuter systems is affected by a number of factors, including traffic volume, the timing and amount of toll increases, the operating and capital costs of TBTA’s facilities, and the amount of debt service payable from its operating revenues, including debt service on obligations issued for the benefit of MTA’s affiliates and subsidiaries and TBTA’s own capital needs.

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

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

Information Relating to the State of New York. Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is not a part of this official statement. Such information is on file with each 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 Transportation Revenue Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of MTA’s Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

SECURITY

General

MTA Transportation Revenue Bonds, including the Series 2002G Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified the Transportation Resolution.

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

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under INTRODUCTION – Information from Repositories.

Pledge Effected by the Resolution

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

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of transit and commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and
- the Interagency Agreement dated as of April 9, 2002, among MTA, LIRR, MNCRC, the Transit Authority and MaBSTOA.

The trustee may directly enforce an undertaking to operate the transit system and the commuter system to ensure compliance with the Transportation Resolution.

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

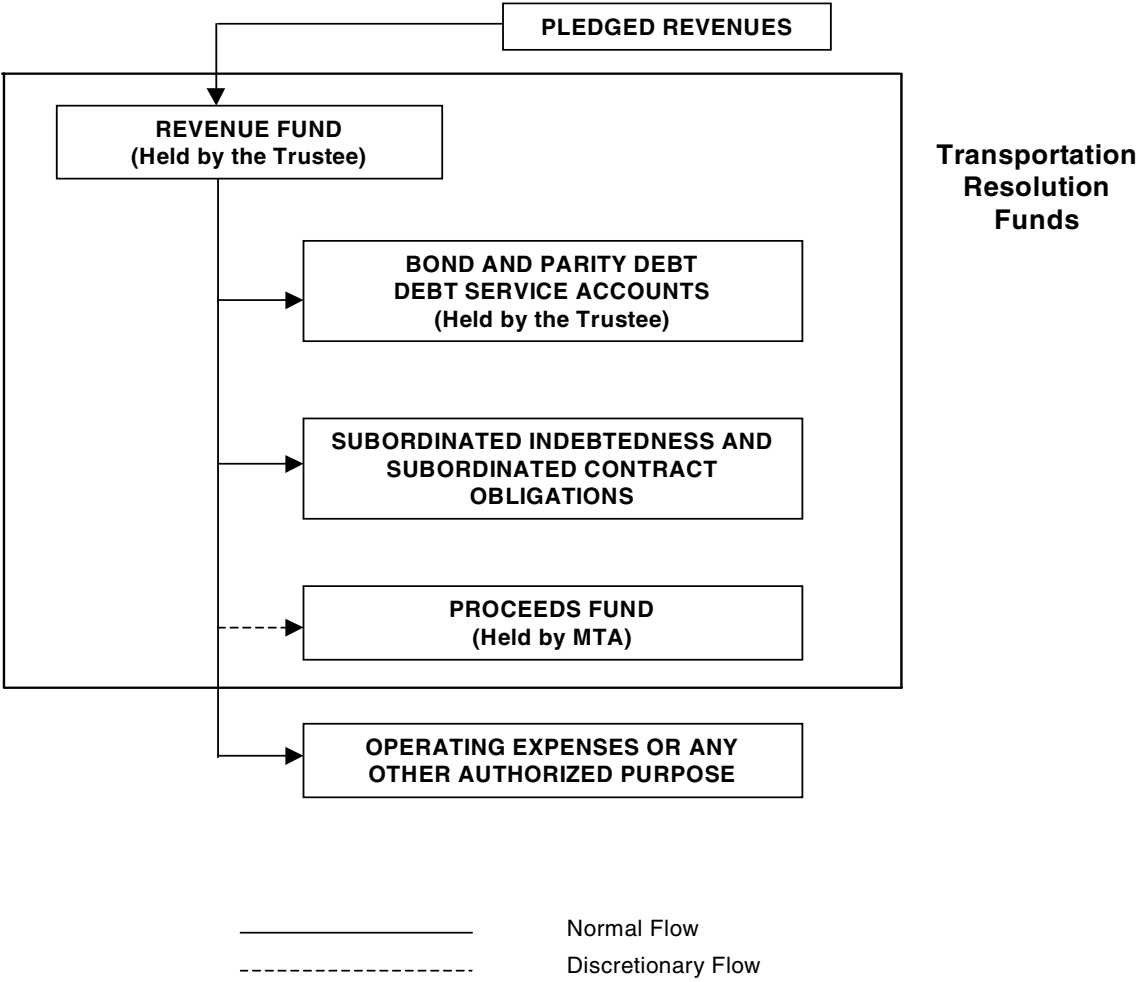
The Transportation Resolution requires the trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

See SOURCES OF PAYMENT - Factors Affecting Revenues.

Operating and Maintenance Covenants.

- MTA, MaBSTOA, Transit Authority, MNCRC and LIRR are required at all times to operate, or cause to be operated, the systems properly and in a sound and economical manner and maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition.
- Nothing in the Transportation Resolution prevents MTA from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the systems if, in MTA's judgment it is advisable to do so—if the operation is not essential to the maintenance and continued operation of the rest of the systems and this arrangement does not materially interfere with MTA's ability to comply with MTA's rate covenants.

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

There is no covenant with bondholders limiting the aggregate principal amount of additional Transportation Revenue Bonds or Parity Debt that MTA may issue. There is a limit under current New York law that covers the Transportation Revenue Bonds and certain other securities. See **Appendix A— THE RELATED ENTITIES—Public Debt Securities—General—Current Statutory Ceiling** for a description of the current statutory cap.

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

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

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

PART III. OTHER INFORMATION ABOUT THE SERIES 2002G BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2002G Bonds.

TAX MATTERS

Hawkins, Delafield & Wood is Bond Counsel for the Series 2002G 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 2002G 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 2002G Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York. *See Attachment 3* to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2002G Bonds are delivered.

The Internal Revenue Code imposes requirements on the Series 2002G Bonds that MTA must continue to meet after the Series 2002G Bonds are issued. These requirements generally involve the way that Series 2002G Bond proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2002G Bonds in its federal gross income on a retroactive basis to the date of issue. MTA has covenanted to do everything necessary to meet the requirements of the Internal Revenue Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2002G 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 2002G Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2002G Bonds or affect the market price of the Series 2002G Bonds. For example, the Internal Revenue Code could be changed.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2002G Bonds, or under State, local or foreign tax law.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2002G Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

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

Certain of those investors, however, may be subject to separate restrictions which limit or prevent their investment in the Series 2002G Bonds.

LITIGATION

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the 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 2002G Bonds and the debt restructuring. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2002G 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 2002G Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed, subject to certain conditions, to purchase from MTA the Series 2002G Bonds at an aggregate purchase price of \$399,126,178.59, reflecting an Underwriter’s discount of \$873,821.41, and to reoffer such Series 2002G Bonds at par. Merrill Lynch, Pierce, Fenner & Smith Incorporated’s obligation to purchase the Series 2002G Bonds is subject to certain conditions precedent, and it will be obligated to purchase all such Series 2002G Bonds if any Series 2002G Bonds are purchased.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2002G Bonds. Those expected ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings
One State Street Plaza
New York, New York 10004
(212) 908-0500

Moody's Investors Service, Inc.
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

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.

The expected ratings on the bonds identified in the Summary of Terms reflect the ratings of the bank and the bond insurer providing liquidity support and credit enhancement for each respective subseries of bonds.

LEGAL MATTERS

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

Certain legal matters regarding MTA 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 Underwriter, or both, as also indicated in the Summary of Terms.

NO CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, does not require MTA to provide continuing disclosure during the period that the Series 2002G Bonds bear interest in the Weekly Mode.

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ATTACHMENT 1
BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2002G Bonds. The Series 2002G Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2002G Bond will be issued for each maturity of the Series 2002G 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 2002G Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2002G Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002G Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002G Bond (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002G 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 2002G Bonds, except in the event that use of the book-entry system for the Series 2002G Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2002G 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 2002G Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002G Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002G Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from

time to time. Beneficial Owners of Series 2002G Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002G Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2002G Bond documents. For example, Beneficial Owners of the Series 2002G Bonds may wish to ascertain that the nominee holding the Series 2002G Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2002G Bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2002G Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2002G Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and principal and interest payments on the Series 2002G Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Series 2002G Bonds purchased or tendered, through its Participant, to the Tender/Remarketing Agent, and shall effect delivery of such Series 2002G Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2002G Bonds, on DTC's records, to the Tender/Remarketing Agent. The requirement for physical delivery of Series 2002G Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2002G Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of Tendered Series 2002G Bonds to the Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2002G Bonds at any time by giving reasonable notice to MTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2002G Bonds are required to be printed and delivered.

11. MTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2002G Bonds will be printed and delivered

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

ATTACHMENT 2

DEFINITIONS

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

Alternate Credit Facility means a letter of credit, financial guarantee insurance policy or other credit enhancement that is issued in substitution for the Insurance Policy in accordance with, and pursuant to, the Transportation Resolution, as the same may be amended or supplemented from time to time.

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

Auction Rate Mode means the mode during which any Series 2002G Bonds bear interest at an auction rate.

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

Bank Bond means any Series 2002G Bond of a Subseries during any period commencing on the day such Series 2002G Bond is owned by or held on behalf of the Liquidity Facility Issuer or its permitted assignee as a result of such Series 2002G Bond having been purchased pursuant to the Transportation Resolution from the proceeds of a draw under the Liquidity Facility and ending when such Series 2002G Bond is, pursuant to the provisions of the Liquidity Facility, no longer deemed to be a Bank Bond.

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

Commercial Paper Mode means the mode during which Series 2002G Bonds bear interest at a commercial paper rate or rates.

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

Daily Mode means the mode during which Series 2002G Bonds bear interest at a daily rate.

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

Expiration Date means, with respect to a Liquidity Facility with respect to the Series 2002G Bonds of a Subseries, the stated expiration date of such Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Series 2002G Bonds of such Subseries bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

Favorable Opinion of Bond Counsel means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel's Opinion to the effect that such action is permitted under the Issuer Act and the Transportation Resolution and that such action will not impair the exclusion of interest on such Series

2002G Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Series 2002G Bonds).

Fixed Rate Mode means the mode during which Series 2002G Bonds bear interest at a fixed rate until their maturity date.

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

Interest Period means the period of time that any interest rate remains in effect, which period shall be the period from and including the date of the delivery of the Series 2002G Bonds to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the maturity date.

Liquidity Facility means any Credit Facility which is obtained by MTA pursuant to the Transportation Resolution and that provides for the payment of the Purchase Price of Series 2002G Bonds of a Subseries tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time. Each Initial Liquidity Facility constitutes a Liquidity Facility.

Liquidity Facility Issuer means the issuer of a Liquidity Facility.

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

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

Mode Change Date means, with respect to Series 2002G Bonds of a Subseries, the date one Mode terminates and another Mode begins.

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

Purchase Date means with respect to any Series 2002G Bond of a Subseries, any Business Day upon which such Series 2002G Bond is optionally tendered for purchase by its holder in accordance with the Transportation Resolution.

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

Remarketing Agent means Merrill Lynch, Pierce, Fenner & Smith Incorporated or any successor Remarketing Agent.

Remarketing Agreement means the remarketing agreement entered into by and between MTA and the Remarketing Agent with respect to the Series 2002G Bonds of a Subseries pursuant to which the Remarketing Agent has agreed to remarket the Series 2002G Bonds of such Subseries on the Purchase Date or the Mandatory Purchase Date at a price of not less than 100% of the principal amount thereof.

Tender Agent means JPMorgan Chase Bank or any successor Tender Agent.

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

Term Rate Mode means the mode during which Series 2002G Bonds bear interest at a fixed rate until the next mandatory purchase date.

Transportation Resolution means the General Resolution Authorizing Transportation Revenue Obligations, adopted by members of MTA on March 26, 2002, as amended and supplemented.

Trustee means JPMorgan Chase Bank or any successor Trustee.

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ATTACHMENT 3
FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2002G 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 record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$400,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Refunding Bonds, Series 2002G (the "Series 2002G Bonds").

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

The Series 2002G Bonds are issued under and pursuant to the Constitution and statutes of the State (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "General Resolution Authorizing Transportation Revenue Obligations," as supplemented by a resolution of said members adopted on March 26, 2002 (collectively, the "Resolution").

The Series 2002G Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2002G Bonds in order that interest on the Series 2002G 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 2002G Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2002G 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 2002G Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2002G 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 2002G Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2002G Bonds, and (ii) compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2002G Bonds as executed and, in our opinion, the form of said Series 2002G Bond and its execution are regular and proper.

We are of the opinion that:

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

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

3. The Series 2002G Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Issuer Act, and in accordance with the Resolution, and are valid and binding special obligations of MTA, enforceable in accordance with their terms and the terms of the Resolution, payable solely from the Trust Estate as provided in the Resolution, and are entitled to the benefits of the Issuer Act and the Resolution. MTA has no taxing power and the Series 2002G Bonds are not debts of the State or of any other political subdivision thereof. MTA reserves the right to issue additional Obligations and to incur Parity Debt on the terms and conditions, and for the purposes, provided in the Resolution, on a parity as to security and payment with the Series 2002G Bonds.

4. The Interagency Agreement has been duly and lawfully authorized, executed and delivered by MTA and the other parties thereto, is in full force and effect, is valid and binding upon MTA and the other parties thereto, and is enforceable in accordance with its terms.

5. The Series 2002G Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are or may be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them to the extent that the legality of such investment is governed by the laws of the State; and which may be deposited with and shall be received by all public officers and bodies of the State and all municipalities and political subdivisions for any purpose for which the deposit of bonds or other obligations of the State is or may be authorized.

6. Under existing statutes and court decisions (i) interest on the Series 2002G Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2002G Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

7. Under existing statutes, interest on the Series 2002G Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

The opinions expressed in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2002G Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2002G Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2002G Bonds.

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

Very truly yours,

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ATTACHMENT 4

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

Ambac

Financial Guaranty Insurance Policy

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

Obligor:

Policy Number:

Obligations:

Premium:

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

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

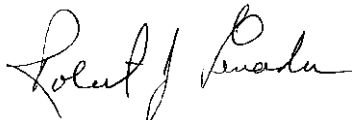
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form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

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

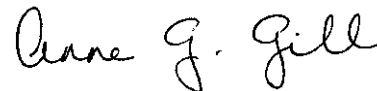
As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used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

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

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



President

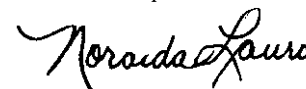


Secretary

Effective Date:

Authorized Representative

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



Authorized Officer of Insurance Trustee

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

Endorsement

Policy for:

Attached to and forming part of Policy No.:

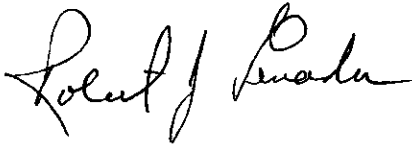
Effective Date of Endorsement:

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

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

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

Ambac Assurance Corporation



President



Secretary

Authorized Representative

ATTACHMENT 5

INITIAL LIQUIDITY FACILITY ISSUERS

THE BANK OF NOVA SCOTIA ACTING THROUGH ITS NEW YORK AGENCY

The Bank of Nova Scotia (“Scotiabank” or the “Bank”) was founded in 1832 in Halifax and currently employs 46,804 people in 2,005 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank’s activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and/or associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2001, Scotiabank recorded total assets of CDN\$284.4 billion (US\$180.2 billion) and total deposits of CDN\$186.2 billion (US\$118.0 billion). Net income for the fiscal year ended October 31, 2001 equaled CDN\$2.169 billion (US\$1.374 billion), compared to CDN\$1.926 billion (US\$1.220 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2001 (1.0000 United States dollar equals 1.5785 Canadian dollars).

For the quarter ended July 31, 2002, Scotiabank recorded total assets of CDN\$299.7 billion (US\$189.2 billion) and total deposits of CDN\$197.5 billion (US\$124.7 billion). Net income for the quarter ended July 31, 2002 equaled CDN\$564 million (US\$356 million), compared to CDN\$554 million (US\$350 million) for the same period the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of July 31, 2002 (1.0000 United States dollar equals 1.5840 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006, Attention: Public Finance Department.

This information relates to and has been obtained from The Bank of Nova Scotia. The delivery of the official statement shall not create any implication that there has been no change in the affairs of The Bank of Nova Scotia since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to its date.

LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE

Landesbank Hessen-Thüringen Girozentrale, New York Branch

The Initial Liquidity Facility Issuer for the Subseries 2002G-2 Bonds is the New York Branch of Landesbank Hessen-Thüringen Girozentrale ("Helaba"). With effect from July 1, 1992, Helaba took its present name. At that date, the Treaty on the Formation of a Joint Savings Banks Organization between the federal states of Hesse and Thuringia came into force. The former Hessische Landesbank was formed in 1953 by the merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (founded 1840) and of Landeskreditkasse zu Kassel (founded 1832).

Helaba is a legal entity under public law. The owners and guarantors of Helaba are the states of Hesse and Thuringia and the Savings Banks and Giro Association Hesse-Thuringia (Sparkassen- und Giroverband Hessen-Thüringen- SGVHT), a joint institution of the municipal savings banks and their guarantors in Hesse and Thuringia. Executive bodies of Helaba are the Board of Guarantors, the Supervisory Board and the Board of Managing Directors.

In accordance with its Charter, Helaba fulfills the functions of a central bank for the savings banks and those of a state bank for the states of Hesse and Thuringia. Helaba pays an annual dividend to its owners and, in the case of the savings banks, cooperates with them to develop their businesses.

Headquartered in Frankfurt/Main and Erfurt, Helaba concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions. Outside of Germany, Helaba has branch offices in London, New York, Dublin and Grand Cayman as well as wholly owned subsidiaries in Amsterdam and Dublin. Representative offices are maintained in Madrid, Paris and Hong Kong.

On May 19, 2000, the owners and the chairmen of Helaba and BayernLB announced a strategic cooperation agreement between the two Landesbanks, focusing on selected business activities such as Payment Transactions, Corporate Finance, Asset Management, cooperation at their foreign branches and subsidiaries, E-Commerce, building saving institutions. Several joint projects have already been realized, such as the merger of their subsidiaries in Zurich and Luxembourg - now operating under the names of LB Swiss and LB Lux, respectively, - the formation of a joint M&A company, the integration of their computer centers and of their custodian and securities settlement business in a joint unit for transaction business.

In the year ending December 31, 2001, the consolidated business volume rose by 9.6 % to € 168.5 billion. The off-balance sheet lending, which grew above-average, accounted for roughly half of this growth. This business grew by 35 % to € 30.9 billion. Growth was mainly supported by the dynamic development of loan commitments, in particular in the US Public Finance business. The balance sheet total rose by 5.1 % to € 137.6 billion. The operating result before risk provisions of Helaba and its consolidated subsidiaries (the "Helaba Group") declined by 37.5 % to € 219.7 million. Adjusted for special effects such as the discontinuation of deferrals for closing fees received by Landesbausparkasse of € 67 million (other operating income), results from operating business are nevertheless at the level of the year 2000. Operating results after risk provisions amounts to € 90.2 million, down 64.2% on the previous year's figure. The cost-income ratio increased from 60.8 % to 73.1 %. The return on equity before taxes declined to 5.6 % (previous year: 15 %).

The profit and loss statement in further detail:

Net interest income declined slightly by 1.9% to € 601.6 million. The contribution from customer's fees and commissions developed very positively. The high-margin business – in particular in the fields of Corporate Finance and Real Estate – was increased with due regards to risks. The discontinuation of one-off effects, such as prepayment penalties and the funding from the purchase of additional shares in GWH, adversely affected results here. Moreover, the effect of the deconsolidation of LB Lux and LB Swiss also negatively influenced net interest income.

The net result from commission and fee-earning business nearly attained the previous year's, amounting to € 119.8 million. Net profit on financial transactions was influenced by a volatile market environment. The Helaba Group succeeded in increasing the result by € 11.1 million to € 23.8 million.

Administrative expense – i.e. personnel expense and non-personnel expense - rose by 9.4 % to € 595.9 million. The average increase during the past five years was in contrast 6.1%. The increase in personnel expense, which rose by 9.4 % to € 304.8 million, is due to a larger pay-roll together with an increase in the number of highly qualified employees. Non-personnel expense increased by 9.4 % to € 291.1 million. This is due to investment concentrating on strategic IT projects and on the improvement of control systems and process workflows.

The risk provisions and valuation expense of the Helaba Group increased by € 29.5 million to € 129.5 million. This amount includes a net contribution to loan loss provisions of € 109 million. Due to the quality of the loan portfolio, no above-average additions to loan loss provisions were required.

Taking into account taxes on income and profits of € 6.5 million, the after-tax result of the Helaba Group amounts to € 83.7 million. For the Helaba Group as a whole, an amount of € 10 million was allocated to the after-tax reserve in accordance with section 340 g HGB (German Commercial Code) and the special reserve for general banking risks. An amount of € 100 million is allocated to the revenue reserves of the Helaba Group and a dividend of 6 % will be distributed to the owners (about € 29 million).

The New York Branch of Helaba, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, Helaba will provide without charge a copy of its most recent Annual Report. Requests should be directed to Landesbank Hessen-Thüringen Girozentrale, New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256.

Helaba currently has a long-term credit rating of “Aaa” from Moody’s Investors Service, Inc., and is rated “AAA” by Standard & Poor’s Rating Group and by Fitch Ratings. Helaba’s short-term ratings are “P-1” from Moody’s, “A-1+” from Standard & Poor’s and “F1+” from Fitch. Currently, Standard & Poor’s Rating Group maintains a negative outlook on the Landesbank sector as a whole.

Helaba’s obligations benefit from guarantor obligation (Gewährträgerhaftung) and statutory liability (Anstaltslast) of its owners.

On July 17, 2001 the Federal Government of Germany reached an agreement with the European Commission on regulations concerning adaptations of state liability obligations for Landesbanks and savings banks. Anstaltslast is scheduled to be modified after a four-year transition period, i.e. after July 18, 2005 to the effect that capital contributions in the event of reorganizations will in future be subjected to the EU regulations governing subsidies. Gewährträgerhaftung is scheduled to expire after the end of the same transition period, subject to the following proviso: Obligations that already existed on July 18, 2001 will also in the future and without limitation in time be subject to the guarantor obligation. This applies irrespective of their maturity. Obligations incurred after July 18, 2001 but prior to July 19, 2005 will be covered in full by the guarantor obligation, if their maturity ends by December 31, 2015 at the latest.

The federal states of Hesse and Thuringia are currently amending the Treaty on the Formation of a Joint Savings Bank Organization so that it complies with the aforementioned requirements. The legislative amendments will be completed by December 31, 2002 and will become effective on July 19, 2005.

Helaba has supplied information relating to it in the previous paragraphs. Helaba does not accept any responsibility for any information contained in this official statement other than the information relating to Helaba.

NOTE: The official (FOREX fixing) exchange rate on December 28, 2001, the last trading day in 2001, was € 1.1339 = US \$1.00

This information relates to and has been obtained from Landesbank Hessen-Thüringen Girozentrale. The delivery of the official statement shall not create any implication that there has been no change in the affairs of Landesbank Hessen-Thüringen Girozentrale since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to its date.

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