



**\$250,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Transportation Revenue Variable Rate Bonds,**  
**Series 2005E**  
 consisting of

**\$125,000,000 Subseries 2005E-1**

**\$125,000,000 Subseries 2005E-2**

**DATED: Date of Delivery**

**DUE: November 1, 2035**

The Subseries 2005E-1 and Subseries 2005E-2 Bonds (collectively, the Series 2005E Bonds) are being issued to finance transit and commuter projects.

The Series 2005E Bonds—

- are MTA's special, not general, obligations, payable solely from the revenues of the transit and commuter systems 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 2005E 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 2005E Bonds will bear interest from the date of delivery to and including November 9, 2005 at a rate established on the day prior to the closing and, thereafter, at the rate determined by the Remarketing Agents as herein described. MTA reserves the right at any time to convert to an Auction Rate Mode, Commercial Paper Mode, Daily Mode, Fixed Rate Mode or Term Rate Mode. **This official statement is intended to provide disclosure only to the extent the Series 2005E Bonds remain in the Weekly Mode.**

The payment of the principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to, the Series 2005E Bonds is secured by a direct-pay letter of credit (the Initial Credit Facility) issued by Fortis Bank, S.A./N.V., acting through its Connecticut Branch (the Initial Credit Facility Issuer). The Initial Credit Facility is scheduled to expire on October 9, 2012, unless extended or earlier terminated. See "DESCRIPTION OF SERIES 2005E BONDS – Credit and Liquidity Facility" herein.



In the event the Initial Credit Facility Issuer terminates the Initial Credit Facility in accordance with the terms of the Reimbursement Agreement as described herein, the Series 2005E Bonds will be subject to mandatory purchase as described herein. Payment of Purchase Price is not an obligation of MTA.

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Price – 100%

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JPMorgan Chase Bank, N.A. is the Trustee, Paying Agent and Tender Agent for the Series 2005E Bonds.

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming compliance by MTA with certain covenants, interest on the Series 2005E 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 certain corporations under the federal corporate alternative minimum tax.*

*Also in Bond Counsel's opinion, under existing law interest on the Series 2005E 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 2005E Bonds are subject to mandatory and optional tender for purchase as described herein, including mandatory tender for purchase prior to the expiration or termination of the Initial Credit Facility.

The Series 2005E Bonds are subject to redemption prior to maturity as described herein.

The Series 2005E 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 2, 2005.

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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 2005E Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

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

INTEREST PAYMENT DATES AND CALCULATION PERIOD	The first Business Day of each month, commencing December 1, 2005, on actual days over a 365-day year (366 in years when February has 29 days)
RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date
OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date
NOTICE OF MODE CHANGE; MODE CHANGE DATE	Trustee to mail notice to Owners not later than 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, Interest Non-Reinstatement 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, N.A. Institutional Trust Services 4 New York Plaza, 15 <sup>th</sup> Floor New York, New York 10004 Attention: Phone: (212) 623-5233 Fax: (212) 623-6215
REMARKETING AGENT FOR SUBSERIES 2005E-1 – ADDRESS FOR DELIVERY OF TENDER NOTICE	First Albany Capital Inc. One Penn Plaza New York, New York 10119 Attention: Municipal Short Term Trading Phone: (212) 273-7526 Fax: (212) 594-0843
REMARKETING AGENT FOR SUBSERIES 2005E-2 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	Lehman Brothers Inc. 745 7 <sup>th</sup> Avenue, 3 <sup>rd</sup> Floor New York, New York 10019 Attention: Municipal Short Term Trading Phone: (212) 528-1011 Fax: (646) 834-4357

***The Underwriters may effect transactions that stabilize or maintain the market price of the Series 2005E Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.***

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\* So long as the Series 2005E 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
Edward B. Dunn .....	Vice-Chairman
Andrew B. Albert .....	Non-Voting Member
John H. Banks .....	Member
James F. Blair .....	Non-Voting Member
Nancy Shevell Blakeman .....	Member
Anthony J. Bottalico .....	Non-Voting Member
Michael J. Canino .....	Non-Voting Member
Barry L. Feinstein .....	Member
James H. Harding, Jr. ....	Member
Susan L. Kupferman .....	Member
Mark D. Lebow .....	Member
James L. McGovern .....	Non-Voting Member
Susan G. Metzger .....	Member
Mark Page .....	Member
Mitchell H. Pally .....	Member
Francis H. Powers .....	Member
Andrew M. Saul .....	Member
James L. Sedore, Jr. ....	Member
Ed Watt .....	Non-Voting Member
Carl V. Wortendyke .....	Member

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

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

GOLDMAN, SACHS & CO.  
New York, New York  
*Financial Advisor*

## SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2005E Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the 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 Bonds, Series 2005E.						
CUSIP Numbers* .....	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Subseries</u></th> <th style="text-align: left;"><u>CUSIP Number</u></th> </tr> </thead> <tbody> <tr> <td>2005E-1</td> <td>59259R ZF4</td> </tr> <tr> <td>2005E-2</td> <td>59259R ZG2</td> </tr> </tbody> </table>	<u>Subseries</u>	<u>CUSIP Number</u>	2005E-1	59259R ZF4	2005E-2	59259R ZG2
<u>Subseries</u>	<u>CUSIP Number</u>						
2005E-1	59259R ZF4						
2005E-2	59259R ZG2						
Purpose of Issue.....	To finance transit and commuter projects operated by MTA's affiliates and subsidiaries.						
Maturity and Rates .....	The Series 2005E Bonds are Variable Interest Rate Obligations that initially bear interest in the Weekly Mode and mature on November 1, 2035.						
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 1, 2005.						
Redemption .....	See "DESCRIPTION OF SERIES 2005E BONDS – Redemption Provisions During the Weekly Mode" in Part I for redemption information.						
Tender.....	See "DESCRIPTION OF SERIES 2005E BONDS – Tender, Presentation and Purchase Provisions of the Series 2005E Bonds During the Weekly Mode" in Part 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 in Part II.						
Credit Enhancement and Liquidity Support .....	The payment of the principal of and interest on, as well as the Purchase Price (as defined herein) on any optional or mandatory purchase date relating to, the Series 2005E Bonds is secured by a letter of credit (the Initial Credit Facility) issued by Fortis Bank, S.A./N.V., acting through its Connecticut Branch (the Initial Credit Facility Issuer). The Initial Credit Facility is scheduled to expire on October 9, 2012, unless extended or earlier terminated. See "DESCRIPTION OF SERIES 2005E BONDS – Initial Credit Facility" herein.						

\* CUSIP Numbers have been assigned by an organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2005E Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2005E Bonds or as indicated above.

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, N.A., New York, New York.
Bond Counsel .....	Hawkins Delafield & Wood LLP, New York, New York.
Tax Status .....	See “TAX MATTERS” in Part III.
Expected Ratings .....	<i>Rating Agency</i> Moody’s: Aa3/VMIG 1 Standard & Poor’s: AA-/A-1+ Fitch: AA-/F1+ See “RATINGS” in Part III.
Financial Advisor .....	Goldman, Sachs & Co.
Underwriters/Remarketing Agents .....	See cover page and inside cover. First Albany Capital Inc. is the representative of the Underwriters for the Series 2005E Bonds.
Purchase Price/Underwriters’ Discount.....	See “UNDERWRITING” in Part III.
Counsel to the Underwriters .....	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 2005E Bonds, in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or any other person to give any information or make any representation in connection with the offering of the Series 2005E 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 2005E Bonds being offered, or anything else related to this bond issue.
  - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice, and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
  - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
  - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.
  - ***No Guarantee of Information by Underwriters.*** The Underwriters have provided the following sentence for inclusion in this official statement: The Underwriters have reviewed the information in this official statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.
  - ***Initial Credit Facility Issuer Information.*** Other than with respect to information concerning the Initial Credit Facility Issuer contained in Attachment 4 of this official statement, none of the information in this official statement has been supplied or verified by the Initial Credit Facility Issuer and the Initial Credit Facility Issuer does not make any representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2005E Bonds, or
    - the tax-exempt status of the interest on the Series 2005E 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 2005E Bonds to provide continuing disclosure during the period that such Series 2005E Bonds bear interest in the Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.
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***Information Included by Specific Cross-reference.*** The following portions of MTA’s 2005 Combined Continuing Disclosure Filings, dated April 29, 2005, and filed with the repositories identified in the “INTRODUCTION” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2005E 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, 2004 and 2003
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2004 and 2003

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

- Summary of Certain Provisions of the 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); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company (MTA Bus); and MTA Capital Construction Company (MTA Capital Construction). MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA. It is expected that, at some time after the delivery of the Series 2005E Bonds, MTA Bus will pledge its operating revenues to the Trustee under the Transportation Resolution (as hereinafter defined) and become a signatory to the Interagency Agreement securing the Bonds and that, thereafter, all or a portion of MTA Bus’ capital needs may be financed from the proceeds of the Bonds.

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 2005 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this official statement.

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

### Where to Find Information

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

- **Part I** provides specific information about the Series 2005E Bonds.
- **Part II** describes the sources of payment and security for all Bonds, including the Series 2005E Bonds.
- **Part III** provides miscellaneous information relating to the Series 2005E Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2005E 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 2005E Bonds.
- **Attachment 4** sets forth certain information relating to Fortis Bank, S.A./N.V., acting through its Connecticut Branch, the Initial Credit Facility Issuer.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

***Bloomberg Municipal Repository***

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

***FT Interactive Data***

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

***DPC Data Inc.***

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

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

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

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this 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 the specified portions of those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2005E 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 "FURTHER INFORMATION" in Part III.

## **Recent Developments**

**MTA Financial Plan Information Updated.** On July 27, 2005, MTA, on behalf of the Related Entities, presented an updated 2005 budget (the 2005 Mid-Year Forecast) and a proposed financial plan for the years 2006-2009 (the 2006-2009 Financial Plan) that includes a preliminary budget for 2006 and a financial plan for the years 2007-2009. The 2005 Mid-Year Forecast updates the information set forth in the February 2005 Adopted Budget. The 2006-2009 Financial Plan updates the information for the years 2006-2008 and includes management's first assessment of 2009. Copies of the 2005 Mid-Year Forecast and the 2006-2009 Financial Plan are posted on MTA's website (www.mta.info) under "Financial Plan/Capital Program."

MTA projects the following, after taking into consideration the application of TBTA's operating surplus to mass transit:

- The Related Entities will have a cash balance in 2005 of \$833 million, which is an increase of \$757 million over the cash balance projected in the February 2005 Adopted Budget, primarily due to (1) greater than expected mortgage recording tax and urban tax collections (\$365 million), (2) additional revenues provided by the State's enactment since February of an increase in the regional sales tax and mortgage recording taxes effective June 1, 2005 (\$173 million) and (3) lower debt service costs (\$128 million).

- The preliminary 2006 budget projects a cash balance before gap closing and other actions of \$461 million, primarily due to (1) the full year's increase in the additional regional sales tax and mortgage recording taxes effective June 1, 2005 (\$230 million), (2) additional revenues provided by the State's enactment since February of an increase in certain motor vehicle fees effective January 1, 2006 (\$86 million in 2006 and \$71 million annually thereafter), (3) a re-estimate of the projected decline in certain real estate tax forecasts (\$91 million), and (4) the State's appropriation in 2006 of 2005 tax receipts (\$50 million).
- MTA is projecting cash deficits in 2007, 2008 and 2009 of \$194 million, \$1.1 billion and \$1.5 billion, respectively. However, if the fare and toll yields are increased by 5% in both 2007 and 2009 as projected in the 2006-2009 Financial Plan, and the gap closing measures are implemented as proposed, MTA projects that the Related Entities will have annual cash deficits in 2007, 2008 and 2009 of \$128 million, \$771 million and \$880 million, respectively.

The MTA projections for 2007 through 2009 assume a 5% additional yield in fares and/or tolls in 2007 and 2009. Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions, additional health and welfare benefit costs and the loss of non-recurring subsidies, notably lower future yields from real estate related taxes, and cash adjustments.

MTA may update all or any portion of the 2006 budget and the associated 2006-2009 Financial Plan until its final adoption by the MTA Board, currently expected in December 2005. MTA may be forced to institute additional cost reductions or take other actions to close projected future budget gaps, which could include seeking additional subsidies and/or raising fares and tolls. The four-year financial plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

***Material Developments Since Financial Plan Update.*** In the 2005 Mid-Year Forecast, MTA estimated that approximately \$481 million of the expected 2005 cash surplus would be generated from factors that would be non-recurring in future years, primarily the region's real estate boom and low interest rates. On October 19, 2005, MTA issued a memo noting that, due to recent monthly tax receipts and debt service savings for August and September that continue to show positive developments above July revised projections, current estimates indicate that by the end of 2005, the non-recurring surplus could reach approximately \$700 million.

Based on the foregoing, the Executive Director recommended approval of transit and commuter promotional initiatives estimated at approximately \$50 million for the upcoming holiday season (generally, Thanksgiving through New Year's Day), generally consisting of half price local transit fares for weekends and during the last week of December, the addition of "bonus days" on certain unlimited MetroCard transit passes, and free off-peak tickets for purchasers of monthly and weekly LIRR and MNCRC passes. An additional \$50 million is set aside for another possible promotional fare initiative in 2006.

The memo further identifies three recommendations for use of the estimated remaining non-recurring moneys, which are briefly summarized as follows:

- invest approximately \$450 million to pay down a portion of the approximately \$2.2 billion of unfunded accrued pension liabilities in various agency pension plans, which would generate recurring annual operating savings of approximately \$40 million,
- allocate approximately \$100 million to the security portion of the approved capital programs to be available to fund on-going capital security projects, and
- re-invest approximately \$50 million for service improvements and new needs in the agencies, including increased peak train service and increased cleaning on LIRR, enhanced cleaning in the transit system, and implementation of late night MNCRC train service from Grand Central Station.

With respect to the above-referenced three recommendations, the MTA Board could, in its discretion, decide to adopt all or any portion of these recommendations or choose to apply the moneys in some other manner.

***Review Board Approval of 2005-2009 Transit and Commuter Capital Programs.*** On July 13, 2005, the Review Board approved the 2005-2009 Transit and Commuter Capital Programs substantially in the form described in Part 3 of **Appendix A** under the caption “FINANCIAL PLANS AND CAPITAL PROGRAMS – Proposed 2005-2009 Capital Program.”

One of the expected funding sources for the 2005-2009 Transit and Commuter Capital Programs is New York State general obligation bond proceeds of \$1.45 billion, the issuance of which is subject to voter approval on November 8, 2005. In the event the bonds are not approved by the voters, MTA will be required to seek additional funding sources and/or amend the list of projects to bring funding sources and expected project costs into balance.

## PART I. SERIES 2005E BONDS

*Part I* of this official statement, together with the Summary of Terms, provides specific information about the Series 2005E Bonds.

### PLAN OF FINANCE AND APPLICATION OF PROCEEDS

In addition to the Series 2005E Bonds, MTA expects to issue its Series 2005C Transportation Revenue Bonds and its Series 2005D Transportation Revenue Variable Rate Bonds on a parity with all Bonds, including the Series 2005E Bonds, on or about the same day to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries. MTA expects that the Series 2005C Bonds in the aggregate principal amount of \$150,000,000 will be issued as fixed rate bonds and that the Series 2005D Bonds in the aggregate principal amount of \$250,000,000 will be issued as auction rate securities. Delivery of the Series 2005C Bonds, the Series 2005D Bonds and the Series 2005E Bonds are not conditioned upon one another, and any series may be cancelled or postponed at any time without affecting the delivery of the other series.

On September 10, 2004, MTA entered into three swaps in the aggregate notional amount of \$500 million, 60% of which was with UBS AG, 20% with Lehman Brothers Special Financing Inc. and 20% with AIG Financial Products Corp., in connection with the expected issuance of \$500 million in Bonds. MTA and the counterparties have amended the swaps to match the amortization of the notional amounts of the swaps with the principal amounts of the Series 2005D Bonds and the Series 2005E Bonds for the purpose of converting MTA's variable rate exposure relating to the Series 2005D Bonds and the Series 2005E Bonds to a fixed rate through final maturity (the Interest Rate Swaps). The Interest Rate Swaps have an effective date equal to the expected date of delivery of the Series 2005D Bonds and the Series 2005E Bonds. Under the terms of each Interest Rate Swap, MTA will pay a fixed rate to the counterparty and receive a variable rate. Each Interest Rate Swap will be a Qualified Swap under the General Resolution Authorizing Transportation Revenue Obligations, adopted by members of MTA on March 26, 2002, as amended and supplemented (the Transportation Resolution), and, as such, MTA's periodic payment obligations under each Interest Rate Swap will constitute Parity Swap Obligations under the Transportation Resolution.

MTA expects to issue approximately \$730 million of Transportation Revenue Bonds in December 2005 to bond out its existing commercial paper program. The debt service set forth in **Table 1** does not reflect the issuance of such Bonds.

### DESCRIPTION OF SERIES 2005E BONDS

*Unless the context otherwise indicates, references in the following description to the "Series 2005E Bonds" apply to the Subseries 2005E-1 Bonds and the Subseries 2005E-2 Bonds independently. 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 2005E Bonds will be dated their date of delivery, mature on November 1, 2035, constitute Variable Interest Rate Obligations and bear interest initially from their date of delivery in the Weekly Mode. The Series 2005E Bonds will bear interest from the date of issuance to and including November 9, 2005 at a rate established on the day prior to the closing and, thereafter, at the rate determined by the Remarketing Agent as described below. **This official statement is intended to provide disclosure only to the extent the Series 2005E Bonds remain in the Weekly Mode. In the event MTA elects to convert the Series 2005E Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2005E 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 2005E 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 2005E Bonds held by the Initial Credit Facility Issuer or any successor or assign (collectively, the "Credit Facility Issuer") as a result of a draw on the Initial Credit Facility or any replacement thereof (collectively, the "Credit Facility") to pay the Purchase Price

(as hereinafter defined) of Series 2005E Bonds that have been tendered and not remarketed and may bear interest at a rate of up to 25% per annum.

MTA has appointed the following firms as Remarketing Agent in connection with the remarketing of the related Subseries of the Series 2005E Bonds:

- Subseries 2005E-1 – First Albany Capital Inc.
- Subseries 2005E-2 – Lehman Brothers Inc.

Each Remarketing Agent will determine the interest rate on its Subseries of the Series 2005E Bonds separately and will remarket the Subseries of the Series 2005E Bonds tendered or required to be tendered for purchase on a best efforts basis. Each Remarketing Agent may be removed or replaced by MTA in accordance with the applicable Remarketing Agreement.

**Payment of Series 2005E Bonds Purchase Price.** The Purchase Price of the Series 2005E Bonds that are tendered and not remarketed on any Purchase Date or Mandatory Purchase Date is payable pursuant to a direct-pay letter of credit (the Initial Credit Facility) issued pursuant to a Reimbursement Agreement, by and among Fortis Bank, S.A./N.V., acting through its Connecticut Branch (the Initial Credit Facility Issuer), MTA and JPMorgan Chase Bank, N.A., acting as Trustee and Tender Agent with respect to the Series 2005E Bonds.

For more information relating to the Initial Credit Facility Issuer, see **Attachment 4**.

The Purchase Price on each Subseries of the Series 2005E Bonds is payable solely from the proceeds of remarketing such Subseries by the Remarketing Agent and from the proceeds from draws under the Credit Facility. Although MTA has the option to purchase Series 2005E Bonds that have been neither remarketed nor purchased by the Credit Facility Issuer, it is not obligated to do so. Payment of the Purchase Price is not an obligation of MTA, the Trustee, the Tender Agent or the Remarketing Agent 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 2005E Bonds” below.

The Initial Credit Facility is scheduled to expire on October 9, 2012, unless extended or earlier terminated (in certain cases without notice) in accordance with its terms. See “—Credit Facility” below.

**Credit and Liquidity Enhancement.** Payment of the principal of and interest on the Subseries 2005E-1 Bonds and the Subseries 2005E-2 Bonds when due is secured by the Initial Credit Facility. The Initial Credit Facility is a direct-pay letter of credit that provides both credit and liquidity support for the Series 2005E Bonds.

**Book-Entry-Only System.** The Series 2005E 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 2005E Bonds. During the period during which the Series 2005E 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 2005E Bonds, all payments on the Series 2005E 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 2005E Bonds is payable on the first Business Day of each month, commencing December 1, 2005. So long as DTC is the sole registered owner of all of the Series 2005E 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 2005E Bonds are fully registered in Authorized Denominations.

**Transfers and Exchanges.** So long as DTC is the securities depository for the Series 2005E Bonds, it will be the sole registered owner of the Series 2005E Bonds, and transfers of ownership interests in the Series 2005E Bonds will occur through the DTC Book-Entry-Only System.

**Trustee, Paying Agent and Tender Agent.** JPMorgan Chase Bank, N.A. is Trustee, Paying Agent and Tender Agent with respect to the Series 2005E Bonds.

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

**Determination of Interest Rate in the Weekly Mode.** The interest rate for the Series 2005E 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). The interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2005E 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 2005E Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Series 2005E Bond shall continue in effect only until the day preceding the applicable Mode Change Date.

In the event the Remarketing Agent fails to determine the interest rate or the method of determining the interest rate is held to be unenforceable by a court of law of competent jurisdiction, the Series 2005E 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 S&P Weekly High-Grade Index (the rate determined on the basis of the S&P Weekly High-Grade Index announced on Tuesday or the next preceding Business Day and as published and announced by Standard & Poor's), or
- if neither the BMA Index nor the S&P Weekly High-Grade Index are published, an index or a rate selected or determined by the Remarketing Agent and consented to by MTA, the Trustee and the Credit Facility Issuer.

No Series 2005E 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 2005E Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2005E Bonds of such Subseries, MTA, the Remarketing Agent, the Tender Agent, the Credit Facility Issuer and the Trustee.

### **Changes in Mode**

**General.** Any Series 2005E 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 10:00 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, an Auction Agreement and/or 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 2005E 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 2005E 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 2005E Bonds During the Weekly Mode**

***Purchase on Demand of Owners of Series 2005E Bonds in Weekly Mode.*** The Owners of the Series 2005E Bonds that are not Bank Bonds may elect to have such Series 2005E 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. The Tender Notice, once transmitted to the Tender Agent and the Remarketing Agent, shall be irrevocable with respect to the tender for which such Tender Notice was delivered and that tender shall occur on the Purchase Date specified in that Tender Notice. The Tender Agent shall notify the Trustee by the close of business on the next succeeding Business Day of the receipt of any Tender Notice.

During any period that Series 2005E 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 2005E Bond on the records of DTC, and

- it shall not be necessary for Series 2005E Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2005E Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing that notice of tender is the beneficial owner of Series 2005E 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 2005E Bonds.

***Mandatory Purchase on any Mode Change Date.*** Except for Bank Bonds, the Series 2005E 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, Interest Non-Reinstatement Date and Substitution Date.*** Except for Bank Bonds, the Series 2005E Bonds are subject to mandatory tender for purchase on:

- the second Business Day preceding the Expiration Date of a Credit 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 Credit Facility, which fifth calendar day is hereinafter referred to as a Termination Tender Date, if the Credit Facility permits a draw thereon on the Termination Tender Date;
- the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Trustee of a written notice from the Credit Facility Issuer that the Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Credit Facility required with respect to the Series 2005E Bonds, which fifth calendar day is hereinafter referred to as an “Interest Non-Reinstatement Tender Date”; and
- the Substitution Date for a Credit Facility.

A “Substitution Date” means:

- the date that is specified in a written notice given by MTA to the Trustee and the Tender Agent as the date on which an Alternate Credit Facility is to be substituted for the then-existing Credit Facility (even if the substitution fails to occur on that date), and
- the second Business Day preceding the date that is specified in a written notice given to the Trustee and the Tender Agent in accordance with the Credit Facility as the date on which the assignment of the obligation of the Credit Facility Issuer under the Credit 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 2005E Bonds give notice of the mandatory tender 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 Credit Facility Issuer or MTA that the Credit Facility supporting the Series 2005E Bonds will terminate or the obligation of such Credit Facility Issuer to purchase the Series 2005E Bonds will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2005E Bonds that is to occur on such Termination Tender Date if it has not theretofore received from the Credit Facility Issuer or MTA a notice stating that the event which resulted in the Credit Facility Issuer or MTA giving a notice of the Termination Date has been cured and that the Credit Facility Issuer or MTA has rescinded its election to terminate the Credit 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.

Upon receipt of a written notice from the Credit Facility Issuer that the Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to the Series 2005E Bonds, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Series 2005E Bonds on such Interest Non-Reinstatement Tender Date if it has not theretofore received from the Credit Facility Issuer a notice stating that the Credit Facility has been reinstated to an amount equal to the interest component of the Liquidity and Credit Amount. 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. For purposes of this official statement, the term Liquidity and Credit Amount shall mean an amount equal to the principal of the Series 2005E Bonds plus an interest amount equal to 46 days' interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number or days elapsed.

The Trustee shall, at least fifteen (15) days prior to the Substitution Date with respect to a Credit Facility give notice of the mandatory tender of the Series 2005E Bonds on the Substitution Date.

The Trustee shall, at least fifteen (15) days prior to any Mode Change Date, give notice of the mandatory tender for purchase of the Series 2005E Bonds that is to occur on such date.

Except as provided in the fourth immediately preceding paragraph, notice of any mandatory tender of Series 2005E Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2005E Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such Series 2005E 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 2005E Bonds 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 2005E Bonds 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 2005E 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 2005E Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

### **Remarketing of Series 2005E Bonds**

The applicable Remarketing Agent for each Subseries shall offer for sale and use its best efforts to find purchasers for (i) all Series 2005E Bonds of a Subseries or portions thereof as to which a Tender Notice has been given and (ii) all Series 2005E Bonds of a Subseries required to be tendered for purchase. To the extent that the Credit Facility is a direct-pay Credit Facility (which includes the Initial Credit Facility), any Series 2005E Bonds

purchased with the proceeds of the Credit Facility shall not be remarketed unless such Credit Facility has been reinstated to the Liquidity and Credit Amount. No Series 2005E Bond shall be remarketed (x) to MTA, or any affiliate of MTA, nor shall any Bank Bonds be remarketed unless the Credit Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Series 2005E Bonds became Bank Bonds, and (y) at a price that is less than the Purchase Price of such Series 2005E Bonds.

#### **Source of Funds for Purchase of Series 2005E Bonds**

Before 3:00 p.m. on the Purchase Date or the Mandatory Purchase Date with respect to Series 2005E Bonds of a Subseries, the Tender Agent shall purchase such Series 2005E 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 2005E Bonds; and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Credit Facility for Purchase Price.

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 2005E 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 2005E 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 2005E Bonds shall not be purchased and shall remain in the Weekly Mode.

#### **Delivery of Remarketed Series 2005E Bonds**

Except as otherwise required or permitted by DTC's book-entry-only system, remarketed Series 2005E 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 2005E Bonds; Undelivered Series 2005E Bonds**

As long as the Series 2005E Bonds are registered in the name of DTC or its nominee in DTC's book-entry-only system, the requirements for all deliveries and payments will be in accordance with DTC's procedures.

Except as otherwise required or permitted by DTC's book-entry-only system, Series 2005E Bonds that are to be tendered shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any Series 2005E Bond purchased pursuant to the optional tender provisions shall be made only if such Series 2005E 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 2005E Bonds are not delivered by 12:00 noon, the Tender Agent will hold any funds received for the purchase of the Series 2005E Bonds that are tendered or deemed tendered in trust in a separate account and shall pay such funds upon presentation. Any such amounts shall be held uninvested. Those undelivered Series 2005E

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 2005E 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 2005E 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 2005E 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 2005E Bonds. The Tender Agent shall authenticate a replacement Series 2005E Bond for any undelivered Series 2005E Bond which may then be remarketed by the Remarketing Agent.

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

The Series 2005E 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 2005E 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 2005E Bonds specified for each of the years shown below:

#### Sinking Fund Installments

<u>November 1</u>	Subseries <u>2005E-1</u>	Subseries <u>2005E-2</u>	<u>November 1</u>	Subseries <u>2005E-1</u>	Subseries <u>2005E-2</u>
2016	\$1,570,000	\$1,580,000	2026	\$6,350,000	\$6,350,000
2017	4,465,000	4,435,000	2027	6,600,000	6,600,000
2018	4,640,000	4,635,000	2028	6,870,000	6,855,000
2019	4,825,000	4,800,000	2029	7,145,000	7,155,000
2020	5,020,000	5,030,000	2030	7,425,000	7,400,000
2021	5,220,000	5,230,000	2031	7,725,000	7,750,000
2022	5,425,000	5,450,000	2032	8,030,000	8,045,000
2023	5,645,000	5,655,000	2033	8,350,000	8,375,000
2024	5,870,000	5,855,000	2034	8,685,000	8,665,000
2025	6,105,000	6,120,000	2035*	9,035,000	9,015,000

\* Final maturity

***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 2005E 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 2005E 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 2005E 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 2005E 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 2005E 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 2005E Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2005E 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 2005E Bonds, as a whole, but only in accordance with the terms upon which the Series 2005E 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 2005E 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 Credit 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 2005E 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 2005E Bonds of such Subseries which are not Bank Bonds unless the Credit Facility Issuer shall be in default under the Credit Facility, in which case, the Trustee shall at the written direction of MTA, select for redemption all then outstanding Series 2005E Bonds of such Subseries in accordance with such direction.

**Redemption Notices.** So long as DTC is the securities depository for the Series 2005E Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2005E 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 2005E Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

**Redemption Process.** If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2005E 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 2005E Bonds, then on the redemption date the Series 2005E 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 2005E Bonds called for redemption, thereafter, no interest will accrue on those Series 2005E Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2005E Bonds.

## Amendments

The provisions of the Transportation Resolution, with respect to a Subseries of the Series 2005E 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 2005E Bonds of such Subseries, or, in lieu thereof as permitted by the Transportation Resolution, the Credit Facility Issuer. All Owners of the Series 2005E Bonds of a Subseries will be deemed to have consented to a modification or amendment if on the 30<sup>th</sup> day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Trustee mailed notice of such proposed modification or amendment to the Owners of the Series 2005E Bonds of such Subseries there is delivered to the Trustee –

- a certificate of the Tender Agent to the effect that all Series 2005E 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.

## Credit and Liquidity Facility

*Unless the context otherwise indicates, references in the following description to the “Series 2005E Bonds” apply to the Subseries 2005E-1 and Subseries 2005E-2 independently, as appropriate.*

**General Description.** The Initial Credit Facility is a direct-pay letter of credit that provides both credit and liquidity support for the Series 2005E Bonds. The payment of the principal of and interest on, as well as the Purchase Price on any Purchase Date or Mandatory Purchase Date relating to, the Series 2005E Bonds is secured by a direct-pay letter of credit issued by Fortis Bank, S.A./N.V., acting through its Connecticut Branch (the Initial Credit Facility Issuer). In the event the Initial Credit Facility Issuer terminates the Initial Credit Facility in accordance with the terms of the Reimbursement Agreement, the Series 2005E Bonds will be subject to mandatory purchase as described above under “Tender, Presentation and Purchase Provisions of the Series 2005E Bonds During the Weekly Mode – *Mandatory Purchase Upon Expiration Tender Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date.*”

The Series 2005E Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2005E Bonds of a Subseries tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2005E Bonds) will be funded only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Credit Facility. Although MTA has the option to purchase Subseries 2005E Bonds that have been neither remarketed nor purchased by the Credit Facility Issuer, it is not obligated to do so. See “—Tender, Presentation and Purchase Provisions of the Series 2005E Bonds During the Weekly Mode and Source of Funds for Purchase of Series 2005E Bonds” above. See **Attachment 4** – “Initial Credit Facility Issuer” for information regarding the Initial Credit Facility Issuer.

Subject to certain conditions described below, the Initial Credit Facility Issuer will purchase from time to time during the period from the date of delivery of the Series 2005E Bonds to and including October 9, 2012 (unless extended) or earlier termination of the Initial Credit Facility, any Tendered Series 2005E 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 Credit Facility Issuer pursuant to the Initial Credit Facility for purchased Series 2005E Bonds will be equal to the aggregate principal amount of such Series 2005E Bonds plus accrued interest thereon (up to 46 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 2005E Bonds with amounts realized under the Initial Credit Facility, the commitment of the Initial Credit Facility Issuer to purchase Series 2005E Bonds shall be reduced by the

Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2005E Bonds from the Initial Credit Facility Issuer, all in accordance with the Initial Credit Facility.

**Termination Events.** In the case of the following termination events (each, a Termination Event), the Initial Credit Facility Issuer may notify the Trustee that the Series 2005E Bonds will be subject to mandatory purchase in whole or in part:

- MTA shall fail to pay to the Initial Credit Facility Issuer when due (whether upon demand or otherwise) any of the reimbursement obligations or the payment obligations under the Initial Credit Facility, or shall fail to remit or deposit funds as required by the Initial Credit Facility, by the Transportation Resolution or by the Series 2005E Bonds; or
- 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 a case or other proceeding shall be commenced against MTA in any court of competent jurisdiction seeking (i) 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 (ii) 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
- MTA's Board shall take an official action claiming that the Transportation Resolution, the Bonds, any Parity Bonds or the Initial Credit Facility is/are not valid or binding on MTA, or repudiate its obligations under the Transportation Resolution, the Bonds, any Parity Bonds or the Initial Credit Facility, or MTA shall file any legal proceedings to seek an adjudication that the Transportation Resolution, the Bonds, any Parity Bonds or the Initial Credit Facility is/are not valid or binding on MTA; or
- any governmental authority with jurisdiction to rule on the validity of the Initial Credit Facility, the Bonds, any Parity Bonds or the Transportation Resolution shall publicly find or rule pursuant to a final and nonappealable order that the Initial Credit Facility, the Bonds, any Parity Bonds or the Transportation Resolution is not valid or not binding on MTA or any governmental authority with jurisdiction over MTA and the affairs of MTA shall have declared or imposed a debt moratorium, debt adjustment or other action that has the effect of being a debt moratorium or debt adjustment in connection with repayment of the Bonds or any Parity Bonds; or
- any representation or warranty made by MTA under or in connection with the Initial Credit Facility or any of the Related Documents (as defined in the Initial Credit Facility) shall prove to be untrue in any material respect on the date as of which it was made; or
- the breach by MTA of certain of the terms or provisions of the Initial Credit Facility; or
- the breach by MTA of any of the other terms or provisions of the Initial Credit Facility which is not remedied within thirty (30) Business Days after written notice thereof shall have been received by MTA from the Initial Credit Facility Issuer; or

- any “event of default” (including but not limited to any “default” under the Transportation Resolution) shall have occurred and be continuing under the Transportation Resolution and the applicable cure period shall have elapsed.

**Termination Remedies.** Upon the occurrence of a Termination Event, the Initial Credit Facility Issuer may notify the Trustee of the occurrence of such Termination Event and (i) send written notice thereof to the Trustee and the Remarketing Agent requiring the mandatory purchase of all or a part of the Series 2005E Bonds, (ii) declare all payment obligations to the Initial Credit Facility Issuer under the Initial Credit Facility to be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by MTA, or (iii) take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Initial Credit Facility or to enforce performance or observance of any obligation, agreement or covenant of MTA under the Related Documents, whether for specific performance of any agreement or covenant of MTA or in aid of the execution of any power granted to the Initial Credit Facility Issuer in the Related Documents, which action may include mandamus with respect to the MTA; provided, however, that upon the occurrence of a Termination Event as a result of a failure to reimburse the Initial Credit Facility Issuer for an Interest Drawing or a Purchase Price Drawing under the Initial Credit Facility, wherein the Initial Credit Facility Issuer does not reinstate all of the interest component of the Initial Credit Facility, there shall be a mandatory purchase of the Series 2005E Bonds on an Interest Non-Reinstatement Tender Date.

The Initial Credit Facility shall automatically terminate on the 16th day following receipt by the Trustee of the notice as set forth in the preceding paragraph. Upon the occurrence of any Termination Event and the giving by the Initial Credit Facility Issuer of notice to the Trustee (with a copy to the Remarketing Agent) to draw on the Initial Credit Facility and apply the proceeds to the mandatory tender of the Series 2005E Bonds, the Initial Credit Facility Issuer may declare (i) the outstanding principal amount of all payment obligations under Initial Credit Facility, and (ii) a sum equal to the then Stated Amount of the Initial Credit Facility, if any, to be immediately due and payable by MTA to the Initial Credit Facility Issuer, without presentment, demand, protest or notice of any kind.

In the event that the Initial Credit Facility Issuer sells or otherwise disposes of its interest in a Bank Bond other than pursuant to a remarketing conducted in accordance with the Certificate of Determination, the Initial Credit Facility Issuer shall notify each such purchaser that such Bank Bond is not secured by the Initial Credit Facility and does not have the benefit of any rating based upon the Initial Credit Facility.

See “—Tender, Presentation and Purchase Provisions of the Series 2005E Bonds During the Weekly Mode,” “—Remarketing of Series 2005E Bonds,” and “—Sources of Funds for Purchase of Series 2005E Bonds” above.

### **Debt Service on the Bonds**

**Table 1** on the following page sets forth, on a cash basis, (1) estimated debt service on the outstanding Bonds, (2) estimated debt service on the Series 2005E Bonds, (3) debt service on the Series 2005C Bonds, (4) estimated debt service on the Series 2005D Bonds, and (5) debt service, on an aggregate basis, on all Bonds after the issuance of the Series 2005C, Series 2005D and Series 2005E Bonds.

**Table 1**  
**Aggregate Debt Service**  
**(in thousands)<sup>(1)</sup>**

Year Ending November 15	Outstanding Bonds <sup>(2)</sup>	Series 2005E Bonds			Series 2005C <sup>(4)</sup>	Series 2005D <sup>(5)</sup>	Aggregate Debt Service <sup>(6)</sup>
		Principal	Interest <sup>(3)</sup>	Total			
2006	\$520,933	\$ 0	\$ 8,878	\$ 8,878	\$18,283	\$ 8,878	\$ 556,971
2007	520,933	0	8,903	8,903	18,233	8,903	556,971
2008	520,895	0	8,903	8,903	18,236	8,903	556,936
2009	520,946	0	8,903	8,903	18,232	8,903	556,983
2010	520,945	0	8,903	8,903	18,233	8,903	556,983
2011	520,964	0	8,903	8,903	18,233	8,903	557,002
2012	520,924	0	8,903	8,903	18,234	8,903	556,963
2013	521,035	0	8,903	8,903	18,237	8,903	557,076
2014	521,032	0	8,903	8,903	18,235	8,903	557,072
2015	521,037	0	8,903	8,903	18,233	8,903	557,075
2016	520,997	3,150	8,903	12,053	11,958	12,028	557,034
2017	521,021	8,900	8,790	17,690	0	17,741	556,452
2018	521,025	9,275	8,473	17,748	0	17,748	556,521
2019	521,032	9,625	8,143	17,768	0	17,817	556,617
2020	521,006	10,050	7,800	17,850	0	17,823	556,679
2021	521,032	10,450	7,442	17,892	0	17,866	556,791
2022	521,038	10,875	7,070	17,945	0	17,894	556,878
2023	529,631	11,300	6,683	17,983	0	17,959	565,573
2024	529,623	11,725	6,281	18,006	0	18,032	565,661
2025	529,631	12,225	5,863	18,088	0	18,064	565,784
2026	529,625	12,700	5,428	18,128	0	18,130	565,882
2027	529,630	13,200	4,976	18,176	0	18,177	565,983
2028	529,630	13,725	4,506	18,231	0	18,257	566,118
2029	529,640	14,300	4,017	18,317	0	18,293	566,250
2030	529,631	14,825	3,508	18,333	0	18,384	566,348
2031	529,623	15,475	2,980	18,455	0	18,405	566,483
2032	479,024	16,075	2,429	18,504	0	18,480	516,008
2033	124,873	16,725	1,856	18,581	0	18,559	162,013
2034	124,869	17,350	1,261	18,611	0	18,664	162,144
2035	<u>95,960</u>	<u>18,050</u>	<u>643</u>	<u>18,693</u>	<u>0</u>	<u>18,745</u>	<u>133,398</u>
Total	<u>\$14,448,185</u>	<u>\$250,000</u>	<u>\$196,051</u>	<u>\$446,051</u>	<u>\$194,346</u>	<u>\$446,066</u>	<u>\$15,534,648</u>

(1) Totals may not add due to rounding.

(2) Includes the following variable rates assumptions for debt service: Series 2002D Bonds at an assumed variable interest rate of 4% per annum and including net payments made by MTA under the swap agreement relating thereto; Series 2002C Bonds at an assumed taxable variable interest rate of 4.5% per annum; and Series 2002B Bonds, Series 2002G Bonds and Series 2004A Bonds at an assumed variable interest rate of 4% per annum.

(3) Assumes interest at a rate equal to the related interest rate swap rate of 3.561% per annum.

(4) Based upon a bond purchase agreement executed by MTA and UBS Financial Services Inc., as representative for the Underwriters, on October 19, 2005 relating to the Series 2005C Bonds.

(5) Assumes the issuance of \$250 million aggregate principal amount of Series 2005D Bonds on November 2, 2005 as auction rate securities with an assumed rate equal to the related interest rate swap rate of 3.561% per annum.

(6) Includes the assumptions set forth in footnotes 1 through 4. Does not reflect debt service on the expected issuance of additional Bonds in December 2005 as described under "PLAN OF FINANCE AND APPLICATION OF PROCEEDS."

## PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

*Part II* of this official statement describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2005E 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 – Where to Find Information."

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.

Certain transit fares increased on February 27, 2005, certain commuter fares increased on March 1, 2005, and the crossing charges on TBTA's bridges and tunnels increased on March 13, 2005. See Part 3 of **Appendix A** – "REVENUES OF THE RELATED ENTITIES – Fares and Tolls."

**Table 2** sets forth the following for the 5 years ended December 31, 2004 on a cash basis:

- by general category, the amount of pledged revenues (calculated in accordance with the 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 Part 3 of **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
- the amount of debt service on the farebox bonds that were refunded by Transportation Revenue Bonds during MTA's debt restructuring in 2002 and the amount of debt service on the Bonds beginning in 2002, and
- the amount of transit and commuter operating expenses.

**Table 2** 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 audited financial statements for MTA and the Transit Authority for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. The information in **Table 2** may not be indicative of future results of operations and financial condition.

For the years 2000 through 2002, **Table 2** is a presentation that gives effect to the combined revenues of the Transit System and Commuter System as if the Transportation Resolution had been in place before the debt restructuring. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

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

	Years Ended December 31,				
	2000	2001	2002	2003	2004
<b>Revenues from Systems Operations</b>					
Fares from Transit System	\$2,116	\$2,141	\$2,156	\$2,420	\$2,567
Fares from Commuter System	688	698	689	772	819
Other Income <sup>(1)</sup>	121	138	157	109	245
<b>Subtotal – Operating Revenues</b>	<b>2,925</b>	<b>2,977</b>	<b>3,002</b>	<b>3,301</b>	<b>3,631</b>
<b>Revenues from TBTA Surplus</b>	<b>360</b>	<b>311</b>	<b>251</b>	<b>395</b>	<b>377</b>
<b>TBTA – Refund of Excess Debt Service Payments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164</b>	<b>0</b>
<b>Revenues from Governmental Sources</b>					
State and Local General Operating Subsidies	404	424	423	380	377
Special Tax-Supported Operating Subsidies					
DTF Excess <sup>(2)</sup>	205	256	333	322	411
MMTOA Receipts	785	778	1,107	731	736
Urban Tax	180	216	171	177	344
Excess Mortgage Recording Taxes	0	0	0	228	163
Subtotal Special Tax-Supported Operating Subsidies	1,170	1,250	1,612	1,458	1,654
<b>Station Maintenance and Service Reimbursements</b>	<b>270</b>	<b>278</b>	<b>291</b>	<b>307</b>	<b>311</b>
<b>Revenues from Investment of Capital Program Funds<sup>(3)</sup></b>	<b>155</b>	<b>137</b>	<b>27</b>	<b>14</b>	<b>26</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>2,359</b>	<b>2,400</b>	<b>2,604</b>	<b>2,718</b>	<b>2,745</b>
<b>Total Transportation Resolution Pledged Revenues</b>	<b>\$5,284</b>	<b>\$5,377</b>	<b>\$5,606</b>	<b>\$6,019</b>	<b>\$6,376</b>
<b>Debt Service<sup>(5)</sup></b>	<b>\$380</b>	<b>\$378</b>	<b>\$106</b>	<b>\$257</b>	<b>\$389</b>
Transit Operating Expenses	\$3,521	\$3,589	\$3,843	\$4,161	\$4,198
Commuter Operating Expenses	1,346	1,347	1,426	1,512	1,609
<b>Total Operating Expenses</b>	<b>\$4,867</b>	<b>\$4,936</b>	<b>\$5,269</b>	<b>\$5,673</b>	<b>\$5,807</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$5,247</b>	<b>\$5,314</b>	<b>\$5,375</b>	<b>\$5,930</b>	<b>\$6,196</b>

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- (1) Other income in the case of the Transit System includes advertising revenue, 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.
- (2) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTTF Receipts described in Part 4 of **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”
- (3) Represents investment income on Capital Program funds held by MTA for the benefit of the Transit and Commuter Capital Program on an accrual basis.
- (4) 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.
- (5) Actuals for the years 2000-2002 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year on the bonds defeased in connection with the debt restructuring before, and debt service on the Transportation Revenue Bonds after, the completion of the debt restructuring.

The following should be noted in Table 2:

- Revenues from Systems Operations – the level of fares increased on May 4, 2003 for the Transit System and May 1, 2003 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys.
- The level of TBTA Surplus available to the Transit and Commuter Systems declined in 2002 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 were 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 are paid to MTA for headquarters purposes, including transit and commuter purposes. Beginning in 2003, TBTA Surplus increased based upon the toll increases that became effective on May 18, 2003.
- TBTA – Refund of Excess Debt Service Payments – for 2003, approximately \$164 million in non-recurring excess debt service payments resulting from the debt restructuring that were on deposit with the TBTA bond trustees were applied for the benefit of the Transit and Commuter System.
- The increased amount of MMTOA Receipts in 2002 reflects the advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$230 million). Beginning in 2003, MTA receives 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. Mortgage recording tax and urban tax proceeds in 2004 reflect the very high level of real estate sale and refinancing activity during the year.
- As noted in the third bullet point above, beginning in 2003, mortgage recording taxes (\$228 million in 2003 and \$163 million in 2004), including those no longer needed to pay debt service on the defeased TBTA mortgage recording tax bonds, were available for Transit and Commuter System purposes after the payment of MTA headquarters expenses.
- Revenues from Investment of Capital Program Funds – 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 substantially all of the debt service reserve funds were eliminated in the debt restructuring, "Revenues from Investment of Capital Program Funds" declined sharply in 2002 (reflecting a partial year when the reserve funds remained in place) and declined further beginning in 2003.

The following **Table 3** sets forth budgeted information for 2005 comparable to that set forth in **Table 2** with respect to the years 2000-2004.

**Table 3**  
**Summary of Pledged Revenues**  
**(Calculated in Accordance with the Transportation Resolution) and Expenses**  
**Budgeted 2005 on a Cash Basis (in millions)**

	2005 Budgeted <sup>(1)</sup>
<b>Revenues from Systems Operations</b>	
Fares from Transit System	\$2,718
Fares from Commuter System	909
Other Income <sup>(2)</sup>	166
<b>Subtotal – Operating Revenues</b>	<b>3,793</b>
<b>Revenues from TBTA Surplus</b>	<b>487</b>
<b>TBTA – Refund of Excess Debt Service Payments</b>	<b>0</b>
<b>Revenues from Governmental Sources</b>	
State and Local General Operating Subsidies	414
Special Tax-Supported Operating Subsidies	
DTF Excess <sup>(3)</sup>	338
MMTOA Receipts	947
Urban Tax	427
Excess Mortgage Recording Taxes	377
Subtotal Special Tax-Supported Operating Subsidies	2,089
<b>Station Maintenance and Service Reimbursements</b>	<b>346</b>
<b>Revenues from Investment of Capital Program Funds</b>	<b>6</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>3,342</b>
<b>Total Transportation Resolution Pledged Revenues</b>	<b>\$7,135</b>
<b>Budgeted Debt Service<sup>(5)</sup></b>	<b>\$438</b>
Transit Operating Expenses	\$4,594
Commuter Operating Expenses	1,751
<b>Total Operating Expenses</b>	<b>\$6,345</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$6,783</b>

<sup>(1)</sup> Based on the revised 2005 Mid-Year Forecast submitted in connection with the 2006-2009 Financial Plan; does not include subsequent developments described under “INTRODUCTION—Recent Developments—*Material Developments Since Financial Plan Update.*”

<sup>(2)</sup> Other income in the case of the Transit System includes advertising revenue, 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.

<sup>(3)</sup> Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTF Receipts described in Part 4 of **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”

<sup>(4)</sup> Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), and Station Maintenance and Service Reimbursements.

<sup>(5)</sup> 2005 budgeted debt service includes the following assumptions for the remainder of the year: (i) estimated debt service on approximately \$650 million of Series 2005C, 2005D and 2005E Transportation Revenue Bonds and (ii) tax-exempt variable rate debt service at 4% and taxable variable rate debt service at 4.5%.

## Description of Pledged Revenues

Each of the following revenues is described in more detail in Part 3 of **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 local fare (excluding express bus service) was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average local fare (excluding express bus service) to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average was \$1.27 in 2004); 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 30-day MetroCards), and for senior citizens and the handicapped.

On February 27, 2005, the Transit Authority increased the cost of a 30-day unlimited ride MetroCard from \$70 to \$76, the cost of a 7-day unlimited ride MetroCard from \$21 to \$24, and express bus fares from \$4 to \$5 without increasing the \$2.00 base fare.

On March 1, 2005, the average fare increased by 7.6% on LIRR and by 6.2% on MNCRC for service between points in New York State, which resulted in an approximately 5% increase in commuter fare revenues. Connecticut fares on MNCRC increased an average of 5.5% as of January 1, 2005.

- **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. The crossing charges on TBTA’s bridges and tunnels increased on March 13, 2005.

### *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—
    - a group of business privilege taxes imposed on petroleum businesses operating in the State, referred to as the PBT,
    - motor fuel taxes on gasoline and diesel fuel, and

- certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees; and
- o portions of the following mass transportation operating assistance or MMTOA 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 MMTOA 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.

As part of the State's enacted 2005-06 Budget, the State enacted legislation that provides the Related Entities with the following three major additional revenue sources:

- Additional 1/8th of one percent regional sales tax throughout the Transportation District effective June 1, 2005 that is expected to generate approximately \$110 million in 2005, approximately \$202 million in 2006 and approximately \$230 million annually thereafter.
- Increase in the MRT-1 Tax effective June 1, 2005 from 25 cents per \$100 of recorded mortgage to 30 cents per \$100 of recorded mortgage that is expected to generate approximately \$29 million in 2005 and approximately \$50 million annually thereafter.
- 34% of an increase in certain motor vehicle fees effective January 1, 2006 that is expected to generate approximately \$61 million annually each year.

The regional sales tax and the motor vehicle fees are pledged first to the payment of MTA's Dedicated Tax Fund Bonds.

- ***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 and 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 CDOT can also affect the amount and timing of fare increases.

**Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses.** The 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 Systems 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 2005 and the forecasts prepared in connection with 2006, 2007, 2008 and 2009) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

**Operating Results and Projections.** Based upon the revised 2005 Mid-Year Forecast and the 2006-2009 Financial Plan, the budgets of the Related Entities are expected to be substantially in balance through 2006, but there are expected to be substantial gaps thereafter. Either the Transit System or the Commuter System or both may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include raising fares.

**2006-2009 Financial Plan.** The 2006-2009 Financial Plan, the 2000-2004 Capital Program, the 2005-2009 Capital Program and future 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 2006-2009 Financial Plan, the 2000-2004 Capital Program, the 2005-2009 Capital Program and future Capital Programs, as well as on pledged revenues. See Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND 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 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 for TBTA's own capital needs.

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

- 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 the 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 the Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

## SECURITY

### General

The Transportation Revenue Bonds, including the Series 2005E 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 in the Transportation Resolution.

- The payment of principal (including sinking fund installments, if any), redemption premium, if any, and interest on 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 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.
- 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).

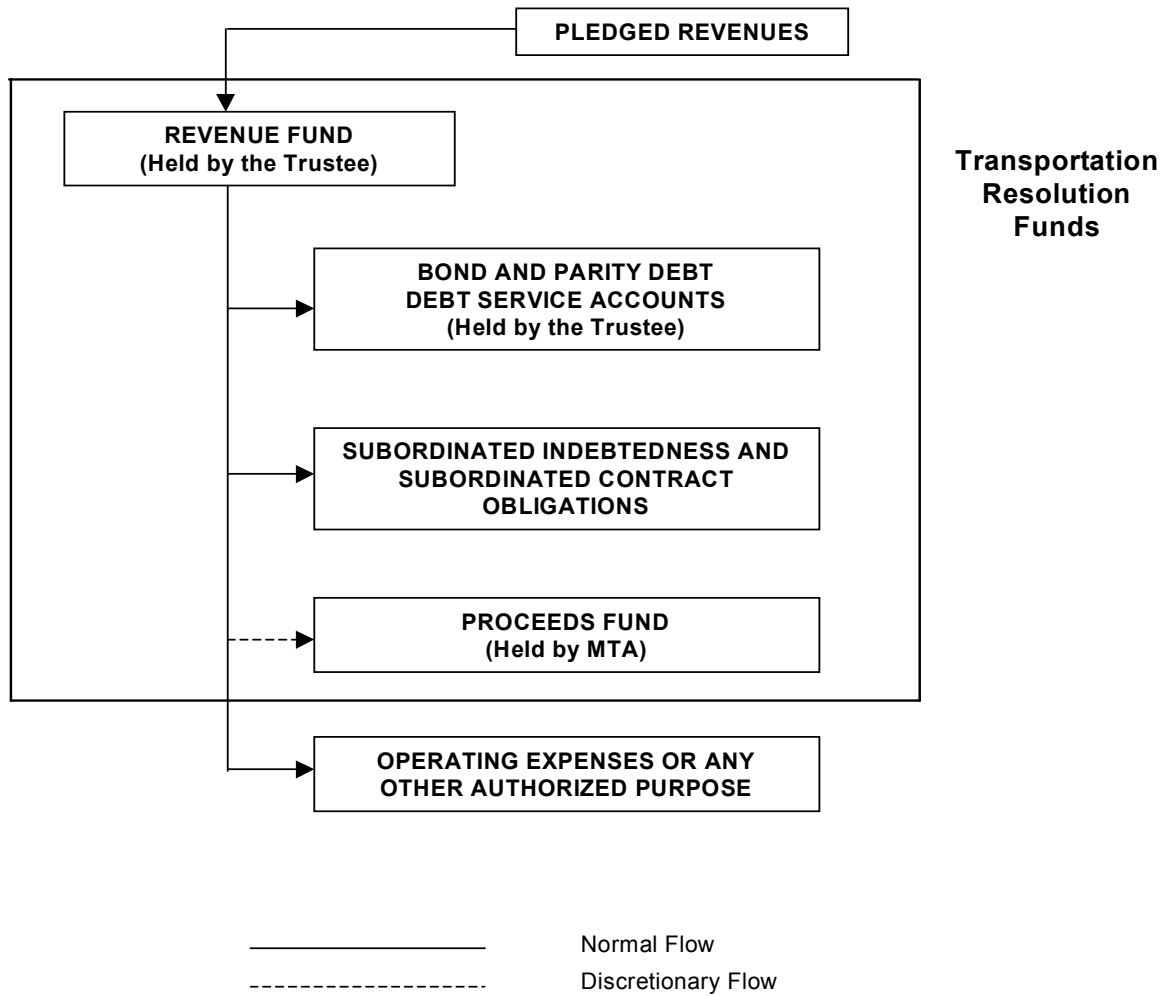
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

- to the debt service accounts, the net amount, if any, required to make the amount in the debt service accounts 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.

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” above.

### **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, but only 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 Part 4 of **Appendix A** under the caption “GENERAL – Financing of Capital Projects and 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 2005E BONDS

*Part III* of this official statement provides miscellaneous additional information relating to the Series 2005E Bonds.

#### TAX MATTERS

Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2005E Bonds. Their opinion under existing law, relying on certain representations by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2005E 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 certain corporations under the federal corporate alternative minimum tax.

Their opinion is also that under existing law interest on the Series 2005E 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 2005E Bonds are delivered.

The Internal Revenue Code imposes requirements on the Series 2005E Bonds that MTA must continue to meet after the Series 2005E Bonds are issued. These requirements generally involve the way that Series 2005E 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 2005E 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 2005E 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 2005E Bonds.

Prospective investors, particularly those in any of these categories, should consult their tax advisors.

Bond Counsel is not responsible for updating its opinion in the future. Although not possible to predict, it is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2005E Bonds or affect the market price of the Series 2005E 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 2005E Bonds or under State, local or foreign tax law.

## LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2005E Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

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

Certain of those investors, however, may be subject to separate restrictions that limit or prevent their investment in the Series 2005E 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 Part 5 of **Appendix A** under the caption “LITIGATION,” as that filing may be amended or supplemented to date.

## FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2005E Bonds and has also provided services in connection with the interest rate swaps described under “PLAN OF FINANCE AND APPLICATION OF PROCEEDS.” The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2005E 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 are contingent upon the issuance of the Series 2005E Bonds.

## UNDERWRITING

The Underwriters for the Series 2005E Bonds, acting through First Albany Capital Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2005E Bonds at an aggregate purchase price of \$249,685,026.56, reflecting an Underwriters’ discount of \$314,973.44, and to reoffer such Series 2005E Bonds at par. The Underwriters’ obligations to purchase the Series 2005E Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2005E Bonds if any Series 2005E Bonds are purchased.

## RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2005E 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
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MTA has furnished to each rating agency rating the bonds being offered information, including information not included in this official statement, about MTA and the bonds. Generally, rating agencies base their ratings on that information and on independent investigations, studies and assumptions made by each rating agency. There can be no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances warrant the revision or withdrawal. Those circumstances may include, among other things, changes in or unavailability of information relating to MTA or the bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the bonds.

The expected ratings on the bonds identified in the Summary of Terms reflect the ratings of the Initial Credit Facility Issuer providing credit enhancement and liquidity support for the Series 2005E 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, the Transit Authority, LIRR and MNCRC will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Underwriters as 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 2005E Bonds bear interest in the Weekly Mode.

## FURTHER INFORMATION

MTA may place a copy of this official statement on its website at "[www.mta.info](http://www.mta.info)." No statement on the MTA's website or any other website is included by specific reference herein.

Although MTA has prepared the information on its website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and MTA assumes no liability or responsibility for errors or omissions contained on any website. Further, MTA disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. MTA also assumes no liability or responsibility for any errors or omissions or for any updates to dated information contained on any website.

## METROPOLITAN TRANSPORTATION AUTHORITY

By: \_\_\_\_\_  
/s/ Patrick J. McCoy  
Director of Finance

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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 2005E Bonds. The Series 2005E 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 2005E Bond will be issued for each maturity of the Series 2005E 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 2005E 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Series 2005E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005E Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005E 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 2005E 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 2005E Bonds, except in the event that use of the book-entry system for the Series 2005E Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2005E 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 2005E 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 2005E Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005E 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 2005E Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005E Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2005E Bond documents. For example, Beneficial Owners of the Series 2005E Bonds may wish to ascertain that the nominee holding the Series 2005E 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 2005E 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 2005E 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 2005E 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 2005E 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 2005E Bonds purchased or tendered, through its Participant, to the Tender/Remarketing Agent, and shall effect delivery of such Series 2005E Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2005E Bonds, on DTC's records, to the Tender/Remarketing Agent. The requirement for physical delivery of Series 2005E Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2005E Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of Tendered Series 2005E Bonds to the Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2005E 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 2005E 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 2005E 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 cross-reference in this official statement.

**Alternate Credit Facility** means a Credit Facility that is issued in substitution for a then-existing Credit 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 2005E 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 2005E Bond of a Subseries during any period commencing on the day such Series 2005E Bond is owned by or held on behalf of the Credit Facility Issuer or its permitted assignee as a result of such Series 2005E Bond having been purchased pursuant to the Transportation Resolution from the proceeds of a draw under the Credit Facility and ending when such Series 2005E Bond is, pursuant to the provisions of the Credit 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 Credit 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 2005E Bonds bear interest at a commercial paper rate or rates.

**Credit Facility** means any Credit Facility which is obtained by MTA pursuant to the Transportation Resolution and that provides for the payment of the principal of and interest on the Series 2005E Bonds, as well as the Purchase Price of Series 2005E 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.

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

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

**Daily Mode** means the mode during which Series 2005E 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 Credit Facility with respect to the Series 2005E Bonds of a Subseries, the stated expiration date of such Credit 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 Credit Facility is no longer effective by reason of its Termination Date, the date on which all Series 2005E Bonds of such Subseries bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Credit Facility by reason of the obtaining of an Alternate Credit 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 2005E 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 2005E Bonds).

**Fixed Rate Mode** means the mode during which Series 2005E 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 2005E 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.

**Mandatory Purchase Date** means (i) any Mode Change Date, (ii) the Interest Non-Reinstatement Tender Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) 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 2005E 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 and the Credit Facility Issuer.

**Purchase Date** means with respect to any Series 2005E Bond of a Subseries, any Business Day upon which such Series 2005E Bond is optionally tendered for purchase by its holder in accordance with the Transportation Resolution.

**Rate Determination Date** means any date on which the interest rate is required to be determined, which, in the case of the Series 2005E Bonds, is each Wednesday or, if such Wednesday is not a Business Day, the next succeeding Business Day.

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

**Remarketing Agent**, as applicable, means First Albany Capital Inc. and Lehman Brothers Inc., 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 2005E Bonds of a Subseries pursuant to which the Remarketing Agent has agreed to remarket the Series 2005E 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, N.A. or any successor Tender Agent.

**Termination Date** means, with respect to a Credit Facility, (i) the date on which such Credit 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 Credit Facility Issuer to provide a loan shall terminate; provided, however, that "Termination Date" shall not mean any date upon which a Credit Facility is no longer effective by reason of its Expiration Date.

**Term Rate Mode** means the mode during which Series 2005E 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, N.A. or any successor Trustee.

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## ATTACHMENT 3

### FORM OF OPINION OF BOND COUNSEL

**Upon delivery of the Series 2005E Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:**

[Date of Delivery]

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 \$250,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Bonds, Series 2005E, consisting of the Subseries 2005E-1 Bonds and the Subseries 2005E-2 Bonds (collectively, the "Series 2005E 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 2005E 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 July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the "Resolution").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005E Bonds in order that interest on the Series 2005E Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 of the MTA, dated the date hereof (the "Tax 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 2005E Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2005E Bonds and the investment of certain funds. The Tax Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2005E 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 2005E 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 2005E 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 Tax 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 2005E Bonds, and (ii) compliance by the MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have also examined one of said Series 2005E Bonds as executed and, in our opinion, the form of said Series 2005E 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 2005E 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 2005E 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 2005E Bonds.

4. The MTA, the holders of the Series 2005E Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2005E 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 2005E Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2005E 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 2005E Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

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

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2005E 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 2005E 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 2005E 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

### INFORMATION RELATING TO FORTIS BANK, S.A./N.V., ACTING THROUGH ITS CONNECTICUT BRANCH

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

Fortis Bank S.A./N.V. (“Fortis Bank”) conducts the banking activities of Fortis, an international financial services provider active in the fields of banking, insurance and investment.

Fortis Bank is a wholly-owned indirect subsidiary of Fortis SA/NV and Fortis N.V., whose principal offices are located in Brussels (Belgium) and Utrecht (the Netherlands) respectively.

Fortis Bank is a commercial bank offering a full range of banking and insurance products and services to a wide range of customers. In its home market, the Benelux countries, Fortis Bank occupies a leading position. Fortis is the largest bank in Belgium, the second-largest in Luxembourg, and the fourth-largest in the Netherlands. The bank had full-time staff of over 36,000 in 2004. Outside its home market, Fortis Bank concentrates on selected market segments. Its business is subject to examination and regulation by the Belgian Banking and Finance Commission.

As of December 31, 2004 Fortis Bank had total assets of EUR 484.2 billion.

Fortis Bank’s Connecticut branch (the “Connecticut Branch”) has been licensed by the Connecticut Department of Banking (the “Banking Department”) to conduct a wholesale banking business since October 9, 2002. The Connecticut Branch is subject to examination by the Banking Department and the Federal Reserve Bank of New York. In addition, the Connecticut Branch is required to file periodic and other reports containing financial information with the Banking Department and the Federal Reserve Bank of New York.

Additional information, including the Fortis Annual Report for 2004, may be obtained without charge by each person to whom this official statement is delivered upon the written request of any such person to Fortis Bank, 301 Tresser Boulevard, Stamford, Connecticut, 06301. This information is also available at [www.Fortis.com](http://www.Fortis.com).

The financial statements appearing in the Fortis Annual Report for 2004 were prepared in accordance with Belgian accounting standards, which differ from generally accepted accounting principles in use in the United States.

The information in this **Attachment 4** has been obtained from Fortis Bank, which is solely responsible for its content. The delivery of the official statement shall not create any implication that there has been no change in the affairs of Fortis Bank since the date hereof, or that the information contained or referred to in this **Attachment 4** is correct as of any time subsequent to its date.

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