



**\$500,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Transportation Revenue Variable Rate Bonds, Series 2004A**  
 consisting of

**\$175,000,000 Subseries 2004A-1 (CIFGNA Insured)**

**\$175,000,000 Subseries 2004A-3 (XL Capital Insured)**

**\$75,000,000 Subseries 2004A-2 (CIFGNA Insured)**

**\$75,000,000 Subseries 2004A-4 (XL Capital Insured)**

**DATED: Date of Delivery**

**DUE: November 1, 2034**

The Subseries 2004A-1, Subseries 2004A-2, Subseries 2004A-3 and Subseries 2004A-4 Bonds (collectively, the Series 2004A Bonds) are being issued to finance transit and commuter projects.

The Series 2004A 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 2004A 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 2004A Bonds will bear interest from the date of delivery to and including June 30, 2004 at a rate established by MTA 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 2004A Bonds remain in the Weekly Mode.**

The Series 2004A Bonds of each Subseries are subject to mandatory or optional tender for purchase as more fully described herein. In order to provide for the payment of purchase price in the event of a mandatory or optional tender, MTA has entered into a standby bond purchase agreement (individually, an Initial Liquidity Facility and collectively, the Initial Liquidity Facilities) with DEPPFA BANK plc, acting through its New York Agency (the Liquidity Facility Issuer) in connection with each Subseries of the Series 2004A Bonds. The Initial Liquidity Facilities are scheduled to expire on June 10, 2005, unless extended or earlier terminated (in certain cases without notice or without the obligation of the Liquidity Facility Issuer to purchase Series 2004A Bonds that have been tendered for purchase) in accordance with their terms as described in this official statement.

Payment of the principal of and interest on the Subseries 2004A-1 Bonds and the Subseries 2004A-2 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Subseries 2004A-1 Bonds and the Subseries 2004A-2 Bonds by CDC IXIS Financial Guaranty North America, Inc.



The scheduled payment of principal of and interest on the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds by XL Capital Assurance Inc.

**XL CAPITAL ASSURANCE**

**Price – 100%**

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

JPMorgan Chase Bank is the Trustee, Paying Agent and Tender Agent for the Series 2004A Bonds.

*In the opinion of Nixon Peabody LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2004A 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 2004A 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 2004A Bonds are subject to redemption prior to maturity as described herein.

The Series 2004A 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 June 24, 2004.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2004A 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 August 2, 2004, on actual days over a 365-day year (366 in years when February has 29 days)
RECORD DATE	Opening of business on the Business Day preceding an Interest Payment Date
OWNERS' RIGHTS TO TENDER	On any Business Day by irrevocable written notice (or by irrevocable telephonic notice, promptly confirmed in writing) of tender to the Tender Agent and Remarketing Agent at their respective addresses specified below at least seven calendar days prior to the Purchase Date
NOTICE OF MODE CHANGE; MODE CHANGE DATE	Trustee to mail notice to Owners not later than 15 days before the Mode Change Date, which can be any Business Day
MANDATORY TENDER FOR PURCHASE	On each Mode Change Date, Expiration Tender Date, Termination Tender Date and Substitution Date
RATE DETERMINATION DATE	Each Wednesday, unless such Wednesday is not a Business Day, in which case the rate shall be set on the Business Day next preceding such Wednesday
RATE ADJUSTMENT DATE	Thursday of each week
TENDER AGENT'S ADDRESS FOR DELIVERY OF TENDER NOTICE	JPMorgan Chase Bank Institutional Trust Services 4 New York Plaza, 15 <sup>th</sup> Floor New York, New York 10004 Attention: Carol Ng  Phone: (212) 623-5233 Fax: (212) 623-6215
REMARKETING AGENT FOR SUBSERIES 2004A-1 AND 2004A-3 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	Bear, Stearns & Co. Inc. 383 Madison Avenue, 11 <sup>th</sup> Floor New York, New York 10179 Attention: Kyle Pulling  Phone: (212) 272-4930 Fax: (212) 272-5948
REMARKETING AGENT FOR SUBSERIES 2004A-2 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	Morgan Stanley & Co. Incorporated 1221 Avenue of the Americas, 30 <sup>th</sup> Floor New York, New York 10020 Attention: Short-Term Desk  Phone: (212) 762-8104 Fax: (212) 762-8223
REMARKETING AGENT FOR SUBSERIES 2004A-4 BONDS – ADDRESS FOR DELIVERY OF TENDER NOTICE	Merrill Lynch, Pierce, Fenner & Smith Incorporated 250 Vesey Street, 9 <sup>th</sup> Floor New York, New York 10080 Attention: Short Term Municipal Desk  Phone: (212) 449-4997 Fax: (212) 449-6440

*The Underwriters may effect transactions that stabilize or maintain the market price of the Series 2004A 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.*

\* So long as the Series 2004A Bonds are registered in the name of Cede & Co., as Bondholder and Securities Depository Nominee of DTC, mechanics for tender and redemption will be in accordance with procedures established by DTC.

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

Peter S. Kalikow ..... Chairman  
David S. Mack ..... Vice-Chairman  
Edward B. Dunn..... Vice-Chairman  
Andrew B. Albert..... Non-Voting Member  
John H. Banks ..... Member  
James F. Blair..... Non-Voting Member  
Nancy Shevell Blakeman ..... Member  
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James L. Sedore, Jr ..... Member  
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Ed Watt ..... Non-Voting Member  
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Katherine N. Lapp.....Executive Director  
Stephen L. Kessler .....Chief Financial Officer  
Catherine A. Rinaldi, Esq. .... Deputy Executive Director, General Counsel and Secretary  
Patrick McCoy ..... Director, Finance

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NIXON PEABODY 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 2004A 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 2004A.
Purpose of Issue .....	To finance transit and commuter projects. See “APPLICATION OF PROCEEDS” in Part I.
Maturity and Rates .....	The Series 2004A Bonds are Variable Interest Rate Obligations that initially bear interest in the Weekly Mode and mature on November 1, 2034. See cover page.
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 August 2, 2004.
Redemption .....	See “DESCRIPTION OF SERIES 2004A BONDS – Redemption Provisions During the Weekly Mode” in Part I for redemption information.
Tender .....	See “DESCRIPTION OF SERIES 2004A BONDS – Tender, Presentation and Purchase Provisions of the Series 2004A 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.
Initial Liquidity Facilities .....	Standby Bond Purchase Agreement with respect to each Subseries of the Series 2004A Bonds with DEPFA BANK plc, acting through its New York Agency, that expires on June 10, 2005. See “DESCRIPTION OF SERIES 2004A BONDS – Liquidity Facility” in Part I.

Credit Enhancement .....	Subseries 2004A-1 and 2004A-2 Bonds – CDC IXIS Financial Guaranty North America, Inc.  Subseries 2004A-3 and 2004A-4 Bonds – XL Capital Assurance Inc.
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, New York, New York.
Bond Counsel .....	Nixon Peabody LLP, New York, New York.
Tax Status .....	See “TAX MATTERS” in Part III.
Expected Subseries 2004A-1 and 2004A-2 Ratings .....	Moody’s: Aaa/VMIG 1 Standard & Poor’s: AAA/A-1+ Fitch: AAA/F1+ See “RATINGS” in Part III.
Expected Subseries 2004A-3 and 2004A-4 Ratings .....	Moody’s: Aaa/VMIG 1 Standard & Poor’s: AAA/A-1+ Fitch: AAA/F1+ See “RATINGS” in Part III.
Financial Advisor .....	Goldman, Sachs & Co.
Underwriters/Remarketing Agents .....	See cover page and inside cover. Bear, Stearns & Co. Inc. is the representative of the Underwriters for the Series 2004A Bonds.
Purchase Price/Underwriters’ Discount .....	See “UNDERWRITING” in Part III.
Counsel to the Underwriters .....	Winston & Strawn LLP, New York, New York.

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- **No Unauthorized Offer.** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2004A 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 2004A 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 2004A 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.
  - **Bond Insurers Information.** Other than with respect to information concerning the Insurers contained under the caption "DESCRIPTION OF SERIES 2004A BONDS – Bond Insurance" in Part 1 and in Attachments 4 and 5 of this official statement, none of the information in this official statement has been supplied or verified by the Insurers and the Insurers make no representation or warranty, express or implied, as to
    - the accuracy or completeness of information they have neither supplied nor verified,
    - the validity of the Series 2004A Bonds, or
    - the tax-exempt status of the interest on the Series 2004A Bonds.
  - **Initial Liquidity Facility Issuer Information.** Other than with respect to information concerning the Initial Liquidity Facility Issuer contained in Attachment 6 of this official statement, none of the information in this official statement has been supplied or verified by the Initial Liquidity Facility Issuer and the Initial Liquidity Facility Issuer 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 2004A Bonds, or
    - the tax-exempt status of the interest on the Series 2004A 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 2004A Bonds to provide continuing disclosure during the period that such Series 2004A Bonds bear interest in the Weekly Mode. MTA regularly files continuing disclosure in connection with other debt offerings.
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## TABLE OF CONTENTS

	<u>Page</u>
<b>SUMMARY OF TERMS</b> .....	ii
<b>INTRODUCTION</b> .....	1
MTA, TBTA and Other Related Entities.....	1
Recent Developments.....	1
Where to Find Information.....	2
<b>PART I. SERIES 2004A BONDS</b> .....	4
APPLICATION OF PROCEEDS.....	4
DESCRIPTION OF SERIES 2004A BONDS.....	4
General.....	4
Terms Relating to the Weekly Mode.....	6
Changes in Mode.....	7
Tender, Presentation and Purchase Provisions of the Series 2004A Bonds During the Weekly Mode.....	8
Remarketing of Series 2004A Bonds.....	10
Source of Funds for Purchase of Series 2004A Bonds.....	10
Delivery of Remarketed Series 2004A Bonds.....	11
Delivery and Payment for Purchased Series 2004A Bonds; Undelivered Series 2004A Bonds.....	11
Redemption Provisions During the Weekly Mode.....	12
Amendments.....	14
Liquidity Facility.....	14
Bond Insurance.....	18
Debt Service on the Transportation Revenue Bonds.....	19
<b>PART II. SOURCES OF PAYMENT AND SECURITY FOR TRANSPORTATION</b>	
<b>REVENUE BONDS</b> .....	21
<b>SOURCES OF PAYMENT</b> .....	21
Pledged Transportation Revenues.....	21
Description of Pledged Revenues.....	23
Factors Affecting Revenues.....	25
<b>SECURITY</b> .....	27
General.....	27
Pledge Effected by the Resolution.....	27
Flow of Revenues.....	28
Covenants.....	30
<b>PART III. OTHER INFORMATION ABOUT THE SERIES 2004A BONDS</b> .....	31
TAX MATTERS.....	31
LEGALITY FOR INVESTMENT.....	32
LITIGATION.....	32
FINANCIAL ADVISOR.....	32
UNDERWRITING.....	32
RATINGS.....	33
LEGAL MATTERS.....	33
NO CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12.....	33
FURTHER INFORMATION.....	33

- Attachment 1** – Book-Entry-Only System
- Attachment 2** – Definitions
- Attachment 3** – Form of Opinion of Bond Counsel
- Attachment 4** – Information Relating to CIFGNA
- Attachment 5** – Information Relating to XL Capital
- Attachment 6** – Information Relating to Initial Liquidity Facility Issuer

***Information Included by Specific Cross-reference.*** The following portions of MTA’s 2004 Combined Continuing Disclosure Filings, dated April 29, 2004, and filed with the repositories identified in the “INTRODUCTION” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2004A Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2003 and 2002
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2003 and 2002

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

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

## INTRODUCTION

### MTA, TBTA and Other Related Entities

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

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

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

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

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

From time to time, the Governor, the State Comptroller, the Mayor, the City Comptroller, County Executives, State legislators, City Councilmembers and other persons or groups may make public statements, issue reports, institute proceedings or take actions that contain predictions, projections or other information relating to the Related Entities or their financial condition, including potential operating results for the current fiscal year and projected baseline surpluses or gaps for future years and both current and proposed capital programs and financial plans, that may vary materially from, question or challenge the information provided in **Appendix A**. Investors and other market participants should, however, refer to MTA’s then current Continuing Disclosure Filings for information regarding the Related Entities and their financial condition.

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

### Recent Developments

**2004-2007 Financial Plan.** MTA’s 2004-2007 February Financial Plan projects that the Related Entities will end 2004 with a cash surplus of \$36 million on a cash basis. MTA projects budget gaps of \$539 million, \$1.2 billion and \$1.3 billion in 2005, 2006 and 2007, respectively. For more detailed

information on the 2004-2007 Financial Plan, see **Appendix A** under the caption “FINANCIAL PLANS AND CAPITAL PROGRAMS – 2004-2007 Financial Plan.”

MTA expects to present to its Board in late July, 2004 a mid-year update of the 2004 budget, a preliminary budget for 2005, and a financial plan for 2006 through 2008, as well as a proposed 2005-2009 Capital Program.

***First Quarter 2004 Financial Statements.*** MTA recently released its financial statements for the three-month period ending March 31, 2004, a copy of which is posted on MTA’s website. The review of the quarterly financial statements is conducted in accordance with the standards established by the American Institute of Certified Public Accountants.

***Operation of City private buses.*** MTA recently signed a term sheet with the City to operate certain private bus lines, the operation of which are currently subsidized by the City. See **Appendix A** under the caption “THE RELATED ENTITIES – Proposed Takeover of NYC Private Bus Service.” No assurances can be given as to whether the transaction will be timely completed or the final terms thereof.

***New Haven Line Connecticut Fare Increase.*** The Connecticut Department of Transportation (“CDOT”) has proposed that New Haven Line fares for travel to and from stations located in the State of Connecticut be increased by an average of approximately 5.5% effective January 1, 2005. The fare increase cannot become effective until approved by both CDOT and MTA. On May 25, 2004, the MTA Board approved the fare increase. Revenues generated by the fare increase offset CDOT’s payments to MTA and do not increase MTA revenues. Fares for travel to and from Connecticut stations were last increased by an average of 15% on July 1, 2003.

## **Where to Find Information**

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

- **Part I** provides specific information about the Series 2004A Bonds.
- **Part II** describes the sources of payment and security for all Transportation Revenue Bonds, including the Series 2004A Bonds.
- **Part III** provides miscellaneous information relating to the Series 2004A Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2004A 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 2004A Bonds.
- **Attachment 4** sets forth certain information relating to CIFGNA.
- **Attachment 5** sets forth certain information relating to XL Capital.
- **Attachment 6** sets forth certain information relating to the Initial Liquidity Facility Issuer.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

**Information from Repositories.** MTA files annual and other information with each Nationally Recognized Municipal Securities Information Repository (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](mailto:munis@bloomberg.com)

**FT Interactive Data**  
Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

**DPC Data Inc.**  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

**Standard & Poor's J.J. Kenny Repository**  
55 Water Street  
45<sup>th</sup> Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Email: [nrmsir\\_repository@sandp.com](mailto: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 2004A 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.

## PART I. SERIES 2004A BONDS

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

### APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2004A Bonds (the principal amount thereof less certain financing, legal and miscellaneous expenses of \$10,648,165), in the amount of approximately \$489,351,835 will be deposited into the Series 2004A Proceeds Account to finance transit and commuter projects set forth in the approved Transit and Commuter Capital Programs.

### DESCRIPTION OF SERIES 2004A BONDS

*Unless the context otherwise indicates, references in the following description to the “Series 2004A Bonds” apply to the Subseries 2004A-1 Bonds, the Subseries 2004A-2 Bonds, the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds independently. The payment of principal of and interest on the Subseries 2004A-1 Bonds and Subseries 2004A-2 Bonds, but not Purchase Price, is secured by a financial guaranty insurance policy issued by CIFGNA, and the payment of principal of and interest on the Subseries 2004A-3 Bonds and Subseries 2004A-4 Bonds, but not Purchase Price, is secured by a financial guaranty insurance policy issued by XL Capital. Purchase Price with respect to tendered Subseries 2004A-1, Subseries 2004A-2, Subseries 2004A-3 and Subseries 2004A-4 Bonds is payable under separate Initial Liquidity Facilities with the same Initial Liquidity Facility Issuer. Actions may be taken, or determinations made, with respect to one Subseries that are not taken or made with respect to the other.*

#### General

***Variable Rate Bonds.*** The Series 2004A Bonds will be dated their date of delivery, mature on November 1, 2034, constitute Variable Interest Rate Obligations and bear interest from their date of delivery in the Weekly Mode. The Series 2004A Bonds will bear interest from the date of issuance to and including June 30, 2004 at a rate to be established by MTA and, thereafter, at the rate determined by the Remarketing Agent as described below. **This official statement is intended to provide disclosure only to the extent the Series 2004A Bonds remain in the Weekly Mode. In the event MTA elects to convert the Series 2004A Bonds to a different Mode, it expects to circulate a revised disclosure document relating thereto.**

Interest on the Series 2004A 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 2004A 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 2004A Bonds held by the Liquidity Facility Issuer as a result of a draw on the Liquidity Facility to pay the Purchase Price (as hereinafter defined) of Series 2004A 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 2004A Bonds:

- Subseries 2004A-1 – Bear, Stearns & Co. Inc.
- Subseries 2004A-2 – Morgan Stanley & Co. Incorporated
- Subseries 2004A-3 – Bear, Stearns & Co. Inc.
- Subseries 2004A-4 – Merrill Lynch, Pierce, Fenner & Smith Incorporated

Each Remarketing Agent will determine the interest rate on its Subseries of the Series 2004A Bonds separately and will remarket the Subseries of the Series 2004A Bonds tendered or required to be tendered for purchase on a best efforts basis. Each Remarketing Agent may be removed or replaced by MTA in accordance with the Remarketing Agreement relating to that Subseries of the Series 2004A Bonds. Pursuant to the Remarketing Agreement, the Remarketing Agent will suspend its obligation to remarket Series 2004A Bonds upon the occurrence of a default by the Insurer under the Insurance Policy relating to such Subseries or upon the suspension or termination of the Liquidity Facility relating to such Subseries.

***Payment of Series 2004A Bonds Purchase Price.*** The Purchase Price of the Series 2004A Bonds that are tendered and not remarketed on any Purchase Date is payable pursuant to separate standby bond purchase agreements with respect to each Subseries of the Series 2004A Bonds (individually, an Initial Liquidity Facility and collectively, the Initial Liquidity Facilities), by and among DEPFA BANK plc, acting through its New York Agency (the Initial Liquidity Facility Issuer), MTA and JPMorgan Chase Bank, acting as Trustee and Tender Agent with respect to the Series 2004A Bonds.

For more information relating to the Initial Liquidity Facility Issuer, see **Attachment 6**.

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

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

The Initial Liquidity Facilities are scheduled to expire on June 10, 2005, unless extended or earlier terminated (in certain cases without notice) in accordance with its terms. See “—Liquidity Facility” below.

***Credit Enhancement.*** Payment of the principal of and interest on the Subseries 2004A-1 Bonds and the Subseries 2004A-2 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Subseries 2004A-1 Bonds and the Subseries 2004A-2 Bonds by CDC IXIS Financial Guaranty North America, Inc. (CIFGNA).

The scheduled payment of principal of and interest on the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds by XL Capital Assurance Inc. (XL Capital).

CIFGNA and XL Capital are collectively referred to herein as the Insurers. For more information on the Insurers and their insurance policies, see “—Bond Insurance” below, **Attachment 4** relating to CIFGNA and **Attachment 5** relating to XL Capital.

***Book-Entry-Only System.*** The Series 2004A 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 2004A Bonds. During the period during which the Series 2004A 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 2004A Bonds, all payments on the Series 2004A 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 2004A Bonds is payable on the first Business Day of each month, commencing August 2, 2004. So long as DTC is the sole registered owner of all of the Series 2004A 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 2004A Bonds are fully registered in Authorized Denominations.

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

***Trustee, Paying Agent and Tender Agent.*** JPMorgan Chase Bank is Trustee, Paying Agent and Tender Agent with respect to the Series 2004A Bonds.

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

***Determination of Interest Rate in the Weekly Mode.*** The interest rate for the Series 2004A Bonds in a Weekly Mode shall be determined by the Remarketing Agent on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the Rate Determination Date). Such interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2004A 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 2004A Bonds subject to a Weekly Mode shall be converted to another Mode prior to such Wednesday, such Weekly Mode for such Series 2004A 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 2004A Bonds will bear interest at the Alternate Rate for subsequent Interest Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to MTA and the Trustee a Favorable Opinion of Bond Counsel.

The Alternate Rate is

- the BMA Index (The Bond Market Association Municipal Swap Index released by Municipal Market Data to its subscribers), or

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

No Series 2004A 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 2004A Bonds, as provided herein, shall be conclusive and binding upon the holders of the Series 2004A Bonds of such Subseries, MTA, the Remarketing Agent, the Tender Agent, each Liquidity Facility Issuer, the Insurer and the Trustee.

### **Changes in Mode**

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

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

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

1. The Mode Change Date must be a Business Day.
2. On or prior to the date MTA provides the notice to the Notice Parties, MTA shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 11:00 a.m., or such later time as is acceptable to MTA, the Trustee and the Remarketing Agent, on the Mode Change Date:
  - a Favorable Opinion of Bond Counsel dated the Mode Change Date,
  - unless the existing Tender Agency Agreement and Remarketing Agreement is effective on the Mode Change Date, a Tender Agency Agreement and a Remarketing Agreement if required for the New Mode, and
  - a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2004A 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 2004A 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 2004A Bonds During the Weekly Mode**

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

During any period that Series 2004A 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 2004A Bond on the records of DTC, and
- it shall not be necessary for Series 2004A Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Series 2004A Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC.

In accepting a notice of tender as provided above, the Trustee and the Tender Agent may conclusively assume that the person providing such notice of tender is the beneficial owner of Series 2004A 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 2004A Bonds.

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

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

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

A “Substitution Date” means:

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

***Notice of Mandatory Tender for Purchase.*** The Trustee shall, at least fifteen (15) days prior to the Expiration Tender Date with respect to the Series 2004A Bonds of a Subseries, give notice of the mandatory tender of that Subseries on such Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

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

The Trustee shall, at least fifteen (15) days prior to the Substitution Date with respect to a Liquidity Facility relating to any Subseries of the Series 2004A Bonds, give notice of the mandatory tender of the Series 2004A Bonds of such Subseries on the Substitution Date.

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

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

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such Series 2004A 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 2004A Bonds of a Subseries shall in addition specify the conditions that have to be satisfied pursuant to the Transportation Resolution in order for the New Mode to become effective and the consequences that the failure to satisfy any of such conditions would have.

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

### **Remarketing of Series 2004A Bonds**

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

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

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

On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Series 2004A Bonds of a Subseries, the Tender Agent shall purchase such Series 2004A 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 2004A Bonds; and
- immediately available funds transferred by the Trustee to the Tender Agent derived from the Liquidity Facility relating to such Series 2004A Bonds.

Notwithstanding the foregoing, MTA shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Series 2004A 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 2004A 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 2004A Bonds shall not be purchased and shall remain in the Weekly Mode.

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

Except as otherwise required or permitted by DTC's book-entry-only system, remarketed Series 2004A 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 2004A Bonds; Undelivered Series 2004A Bonds**

As long as the Series 2004A 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 2004A Bonds that are to be tendered shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, that payment of the Purchase Price of any Series 2004A Bond purchased pursuant to the optional tender provisions shall be made only if such Series 2004A 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 2004A Bonds are not delivered by 12:00 noon, the Tender Agent will hold any funds received for the purchase of the Series 2004A Bonds that are tendered or deemed tendered in trust in a separate account and shall pay such funds upon presentation. Any such amounts shall be held uninvested. Such undelivered Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A Bonds. The Tender Agent shall authenticate a replacement Series 2004A Bond for any undelivered Series 2004A Bond which may then be remarketed by the Remarketing Agent.

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

The Series 2004A 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 2004A 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 2004A Bonds specified for each of the years shown below:

#### Sinking Fund Installments

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2005	\$ 8,920,000	2020	\$ 16,060,000
2006	9,270,000	2021	16,700,000
2007	9,640,000	2022	17,370,000
2008	10,030,000	2023	18,060,000
2009	10,430,000	2024	18,790,000
2010	10,840,000	2025	19,530,000
2011	11,280,000	2026	20,310,000
2012	11,730,000	2027	21,130,000
2013	12,200,000	2028	21,970,000
2014	12,690,000	2029	22,860,000
2015	13,200,000	2030	23,770,000
2016	13,730,000	2031	24,710,000
2017	14,270,000	2032	25,700,000
2018	14,840,000	2033	26,730,000
2019	15,440,000	2034*	27,800,000

\* Final maturity

Unless otherwise directed by MTA, each Subseries of the Series 2004A Bonds shall be redeemed with the proceeds from such Sinking Fund Installments *pro rata*, subject to rounding in accordance with authorized denominations.

***Credit Toward Mandatory Sinking Fund Redemption.*** MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and, if taken, thereafter reduce the amount of term Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A 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 2004A Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2004A 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 2004A Bonds, as a whole, but only in accordance with the terms upon which the Series 2004A 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 2004A Bonds of a Subseries. The Bank Bonds shall also be subject to mandatory redemption at the times and under the terms and conditions as provided in the Liquidity Facility relating to such Bank Bonds.

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

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

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

## **Amendments**

The provisions of the Transportation Resolution, with respect to a Subseries of the Series 2004A 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 2004A Bonds of such Subseries, or, in lieu thereof as permitted by the Transportation Resolution, the Insurer. All Owners of the Series 2004A 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 2004A Bonds of such Subseries there is delivered to the Trustee –

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

## **Liquidity Facility**

*Unless the context otherwise indicates, references in the following description to the “Series 2004A Bonds” apply to the Subseries 2004A-1, Subseries 2004A-2, Subseries 2004A-3 and Subseries 2004A-4 Bonds independently, and references to “Initial Liquidity Facility” apply to the separate Initial Liquidity Facilities relating to the Subseries 2004A-1, Subseries 2004A-2, Subseries 2004A-3 and Subseries 2004A-4 Bonds, as appropriate.*

**General Description.** The Series 2004A Bonds are, under certain conditions, subject to optional and mandatory tender for purchase from specified sources. The purchase by the Tender Agent of Series 2004A Bonds of a Subseries tendered or deemed tendered for optional or mandatory purchase (the Tendered Series 2004A Bonds) will be funded only from (i) remarketing proceeds, and (ii) to the extent that remarketing proceeds are not available, proceeds available from the Liquidity Facility. Although MTA has the option to purchase Subseries 2004A Bonds that have been neither remarketed nor purchased by the Liquidity Facility Issuer, it is not obligated to do so. See “—Tender, Presentation and Purchase Provisions of the Series 2004A Bonds During the Weekly Mode and Source of Funds for Purchase of Series 2004A Bonds” above. See **Attachment 6** – “Initial Liquidity Facility Issuer” for information regarding the Initial Liquidity Facility Issuer.

Subject to certain conditions described below, the Initial Liquidity Facility Issuer will purchase from time to time during the period from the date of delivery of the Series 2004A Bonds to and including June 10, 2005 (unless extended) or earlier termination or suspension of the related Initial Liquidity Facility, any Tendered Series 2004A Bonds of the subseries which are required to be purchased due to an optional or mandatory tender for purchase that have not been remarketed at the times and in the manner set forth in the Transportation Resolution. The price to be paid by the Initial Liquidity Facility Issuer pursuant to the Initial Liquidity Facility for purchased Series 2004A Bonds will be equal to the aggregate

principal amount of such Series 2004A Bonds plus accrued interest thereon (up to 35 days of interest calculated at an aggregate rate not to exceed 12% per annum based on a year of 365 days), if any, other than defaulted interest, to the date of such purchase. Upon any purchase of Series 2004A Bonds with amounts realized under the Initial Liquidity Facility, the commitment of the Initial Liquidity Facility Issuer to purchase Series 2004A Bonds shall be reduced by the Purchase Price and shall be reinstated by such amount upon the repurchase of such Series 2004A Bonds from the Initial Liquidity Facility Issuer, all in accordance with the related Initial Liquidity Facility.

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

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

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

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

- any principal or interest due on the Series 2004A Bonds is not paid by MTA when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or
- any material provision of the Insurance Policy at any time for any reason ceases to be valid and binding on the Insurer in accordance with the terms of the Insurance Policy or is declared to be null and void by a final non-appealable order of a court or other governmental agency of appropriate jurisdiction; or
- a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated within sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding or the Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Insurer shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry or an order for relief in an involuntary case under any such law or shall consent to the

- appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or
- the Insurer shall default in any payment or payments of amounts payable by it under any municipal insurance policies insuring any securities (other than the Insurance Policy) when due, and such default shall continue for a period of ten (10) days; or
  - a downgrade in the rating of the Insurer to or below “Baa3” (or its equivalent), in the case of Moody’s, “BBB-” (or its equivalent), in the case of S&P, and “BBB-” (or its equivalent), in the case of Fitch, or the suspension or withdrawal of the ratings of the Insurer’s claims-paying ability by Moody’s, S&P and Fitch for credit-related reasons.

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

***Immediate Suspension Events.*** In case the validity or enforceability of the Insurance Policy is contested by the Insurer in writing or any governmental agency or authority, or the Insurer denies in writing that it has any or further liability or obligation under the Insurance Policy, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004A Bonds under the Initial Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Initial Liquidity Facility Issuer shall be under no obligation to purchase Tendered Series 2004A Bonds until the Available Commitment (as defined in the Initial Liquidity Facility) is reinstated as described below.

Upon the occurrence of such a suspension event described above, the Initial Liquidity Facility Issuer is under no further obligation under the Initial Liquidity Facility to purchase Tendered Series 2004A Bonds until a final nonappealable order of a court having jurisdiction in the premises shall be entered declaring that the Insurance Policy and the obligations of the Insurer thereunder are upheld in its entirety. In the event such final nonappealable order is entered declaring the Insurance Policy null and void, or declaring that the Insurer does not have any further liability or obligation under the Insurance Policy, then the Initial Liquidity Facility Issuer’s obligation to purchase Tendered Series 2004A Bonds shall immediately terminate. In the event such order is entered declaring that the Insurance Policy is and the obligations of the Insurer thereunder are upheld in its entirety, the Initial Liquidity Facility Issuer’s obligations under the Initial Liquidity Facility to purchase Tendered Series 2004A Bonds shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise be terminated by its terms or there has occurred and is continuing an event causing the suspension of the Initial Liquidity Facility Issuer’s obligations to purchase Tendered 2004A Bonds pursuant to this paragraph) as if there has been no such suspension.

In addition, in the case of an event which with the passage of time would become a termination event pursuant to the third or fourth bullet points under “Immediate Termination Events” above, the obligation of the Initial Liquidity Facility Issuer to purchase Tendered Series 2004A Bonds shall automatically be suspended without prior notice to MTA, the Trustee, the Tender Agent and the Insurer. If such event is remedied prior to becoming a termination event, the Initial Liquidity Facility Issuer’s obligation to purchase Tendered Series 2004A Bonds shall be automatically reinstated and the terms of

the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall have otherwise terminated by its terms or there has occurred and is continuing an event causing a suspension of the Initial Liquidity Facility Issuer's obligations to purchase Tendered 2004A Bonds pursuant to this paragraph).

***Other Termination Events.*** In the case of the following termination events, the Initial Liquidity Facility Issuer may terminate the Available Commitment by giving written notice of such termination event (the termination notice) to MTA, the Remarketing Agent and the Trustee specifying the date on which the Available Commitment will terminate (the termination date), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the termination date, the Initial Liquidity Facility Issuer shall be under no further obligation to purchase Tendered Series 2004A Bonds other than Series 2004A Bonds which are the subject of a notice of purchase received by the Initial Liquidity Facility Issuer prior to the termination date, and MTA shall forthwith, upon written request of the Initial Liquidity Facility Issuer, use its best efforts (taking into account current market conditions) to convert all of the Series 2004A Bonds to a fixed rate in accordance with the Transportation Resolution.

- 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 Resolution, the Bonds, any Parity Bonds or the Initial Liquidity Facility is/are not valid or binding on MTA, or repudiate its obligations under the Resolution, the Bonds, any Parity Bonds or the Initial Liquidity Facility, or MTA shall file any legal proceedings to seek an adjudication that the Resolution, the Bonds, any Parity Bonds or the Initial Liquidity Facility is/are not valid or binding on MTA; or
- any governmental authority with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Bonds, any Parity Bonds or the Resolution shall publicly find or rule pursuant to a final and nonappealable order that the Initial Liquidity Facility, the Bonds, any Parity Bonds or the 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 Liquidity Facility or any of the Related Documents (as defined in the Initial Liquidity Facility) shall prove to be untrue in any material respect on the date as of which it was made; or
- nonpayment of certain fees and other amounts payable to the Initial Liquidity Facility Issuer under the Initial Liquidity Facility within five (5) Business Days after the Trustee, the Insurer and MTA have received written notice from the Initial Liquidity Facility Issuer that the same were not paid when due; or
- nonpayment of certain other fees or amounts when due under the Initial Liquidity Facility, if such failure to pay when due shall continue for five (5) Business Days after written notice thereof to the Trustee, the Insurer and MTA from the Initial Liquidity Issuer; or
- the breach by MTA of certain of the terms or provisions of the Initial Liquidity Facility; or
- the breach by MTA of any of the other terms or provisions of the Initial Liquidity Facility which is not remedied within thirty (30) Business Days after written notice thereof shall have been received by MTA from the Initial Liquidity Facility Issuer; or
- any “event of default” shall have occurred and be continuing under the Transportation Resolution and the applicable cure period shall have elapsed.

See “—Tender, Presentation and Purchase Provisions of the Series 2004A Bonds During the Weekly Mode,” “—Remarketing of Series 2004A Bonds,” and “—Sources of Funds for Purchase of Series 2004A Bonds” above.

### **Bond Insurance**

Concurrently with the issuance of the Subseries 2004A-1 and Subseries 2004A-2 Bonds (the CIFGNA Insured Bonds), CDC IXIS Financial Guaranty North America, Inc. (CIFGNA) will issue its financial guaranty insurance policy (the CIFGNA Insurance Policy) for the CIFGNA Insured Bonds. The CIFGNA Insurance Policy guarantees the scheduled payment of principal of and interest on the CIFGNA Insured Bonds when due as set forth in the form of the CIFGNA Insurance Policy included as **Attachment 4** to this official statement. Reference is made to **Attachment 4** for information regarding the CIFGNA Insured Bonds, CIFGNA and a specimen of the CIFGNA Insurance Policy.

Concurrently with the issuance of the Subseries 2004A-3 and Subseries 2004A-4 Bonds (the XL Capital Insured Bonds), XL Capital Assurance Inc. (XL Capital) will issue its financial guaranty insurance policy (the XL Capital Insurance Policy) for the XL Capital Insured Bonds. The XL Capital Insurance Policy guarantees the scheduled payment of principal of and interest on the XL Capital Insured Bonds when due as set forth in the form of the XL Capital Insurance Policy included as **Attachment 5** to this official statement. Reference is made to **Attachment 5** for information regarding the XL Capital Insured Bonds, XL Capital and a specimen of the XL Capital Insurance Policy.

CIFGNA and XL Capital are referred to collectively herein as the “Bonds Insurers,” and the CIFGNA Insurance Policy and the XL Capital Insurance Policy are referred to individually herein as an Insurance Policy and collectively herein as the “Insurance Policies.”

MTA has granted each of the Bond Insurers certain rights authorized under Section A-202 of the Transportation Resolution, including the right to be deemed the sole Owner of the subseries of the

Series 2004A Bonds it insures whenever the approval, consent or action of the Owners is required. See “Definitions and Summary of Certain Provisions of the Standard Resolution Provisions” included by specific cross-reference herein.

**Debt Service on the Transportation Revenue Bonds**

**Table 1** on the following page sets forth, on a cash basis, (1) estimated debt service on the outstanding Transportation Revenue Bonds, (2) estimated debt service on the Series 2004A Bonds, and (3) debt service, on an aggregate basis, on all Transportation Revenue Bonds after the issuance of the Series 2004A Bonds.

**Table 1**  
**Aggregate Debt Service**  
**(in thousands)**

<u>Year Ending</u> <u>November 15</u>	<u>Outstanding</u> <u>Bonds<sup>(1)</sup></u>	<u>Estimated Series</u> <u>2004A Bonds<sup>(2)</sup></u>	<u>Aggregate</u> <u>Debt Service<sup>(3)</sup></u>
2004	\$404,753	\$7,056	\$411,809
2005	404,755	28,920	433,675
2006	404,758	28,913	433,671
2007	404,754	28,912	433,666
2008	404,756	28,917	433,673
2009	404,754	28,916	433,670
2010	404,751	28,908	433,659
2011	404,758	28,915	433,673
2012	404,758	28,914	433,672
2013	404,755	28,914	433,669
2014	404,752	28,916	433,668
2015	404,757	28,919	433,676
2016	404,754	28,921	433,675
2017	404,751	28,912	433,663
2018	404,753	28,911	433,664
2019	404,752	28,917	433,669
2020	404,751	28,920	433,671
2021	404,755	28,917	433,672
2022	404,752	28,919	433,671
2023	404,755	28,914	433,669
2024	404,752	28,922	433,674
2025	404,759	28,910	433,669
2026	404,754	28,909	433,663
2027	404,754	28,917	433,671
2028	404,755	28,912	433,667
2029	404,754	28,923	433,677
2030	404,754	28,918	433,672
2031	404,755	28,908	433,663
2032	354,151	28,909	383,060
2033	-	28,911	28,911
2034	-	28,912	28,912
Total	<u>\$11,687,273</u>	<u>\$874,502</u>	<u>\$12,561,774</u>

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<sup>(1)</sup> Includes the following variable rate assumptions for debt service: Series 2002B and Series 2002D 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 at an assumed taxable variable interest rate of 4.5% per annum; and Series 2002G at an assumed variable interest rate of 4% per annum.

<sup>(2)</sup> Assumes variable interest at the rate of 4% per annum.

<sup>(3)</sup> Totals may not add due to rounding. Includes the assumptions set forth in footnotes 1 and 2.

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

*Part II* of this official statement describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2004A 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.

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

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in **Appendix A** under the 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.

The following pro forma table 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 and is based on the historical audited financial statements of MTA and its subsidiaries, LIRR and MNCRC, and the Transit Authority and its subsidiary MaBSTOA. The pro forma information contained in the table has been prepared by MTA management based upon historical financial statements and notes (the last two calendar years of which for MTA and the Transit Authority are included herein by specific cross-reference) which should be read in connection with this pro forma information. This pro forma information may not be indicative of future results of operations and financial condition.

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

	Years Ended December 31,					2004 Budgeted <sup>(1)</sup>
	1999	2000	2001	2002	2003	
<b>Revenues from Systems Operations</b>						
Fares from Transit System	\$2,000	\$2,116	\$2,141	\$2,156	\$2,401	\$2,550
Fares from Commuter System	656	688	698	689	772	838
Other Income <sup>(2)</sup>	101	121	138	157	107	174
<b>Subtotal – Operating Revenues</b>	<b>2,757</b>	<b>2,925</b>	<b>2,977</b>	<b>3,002</b>	<b>3,280</b>	<b>3,562</b>
<b>Revenues from TBTA Surplus</b>	<b>363</b>	<b>360</b>	<b>311</b>	<b>251</b>	<b>395</b>	<b>287</b>
<b>TBTA – Refund of Excess Debt Service Payments</b>	<b>0</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	379	404	424	423	380	376
Special Tax-Supported Operating Subsidies						
DTF Excess <sup>(3)</sup>	213	205	256	333	322	362
MMTOA Receipts	670	785	778	1,107	731	749
Urban Tax	173	180	216	171	177	154
Excess Mortgage Recording Taxes	0	0	0	0	278	165
Subtotal Special Tax-Supported Operating Subsidies	1,056	1,170	1,250	1,612	1,508	1,430
<b>Station Maintenance and Service Reimbursements</b>	<b>294</b>	<b>270</b>	<b>278</b>	<b>291</b>	<b>307</b>	<b>323</b>
<b>Revenues from Investment of Capital Program Funds<sup>(4)</sup></b>	<b>147</b>	<b>155</b>	<b>137</b>	<b>27</b>	<b>14</b>	<b>0</b>
<b>Subtotal – Non-Operating Revenues<sup>(5)</sup></b>	<b>2,239</b>	<b>2,359</b>	<b>2,400</b>	<b>2,604</b>	<b>2,768</b>	<b>2,416</b>
<b>Total Pro Forma Transportation Resolution Pledged Revenues</b>	<b>\$4,996</b>	<b>\$5,284</b>	<b>\$5,377</b>	<b>\$5,606</b>	<b>\$6,048</b>	<b>\$5,978</b>
<b>Debt Service<sup>(6)</sup></b>	<b>\$343</b>	<b>\$380</b>	<b>\$378</b>	<b>\$106</b>	<b>\$257</b>	<b>\$421</b>
Transit Operating Expenses	\$3,222	\$3,521	\$3,589	\$3,843	\$4,240	\$4,138
Commuter Operating Expenses	1,219	1,346	1,347	1,426	1,513	1,657
<b>Total Operating Expenses</b>	<b>\$4,441</b>	<b>\$4,867</b>	<b>\$4,936</b>	<b>\$5,269</b>	<b>\$5,753</b>	<b>\$5,795</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$4,784</b>	<b>\$5,247</b>	<b>\$5,314</b>	<b>\$5,375</b>	<b>\$6,010</b>	<b>\$6,216</b>

(1) 2004 budgeted numbers as updated and presented to the MTA Board in February 2004.

(2) 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.

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

(4) Represents investment income on capital program funds held by MTA for the benefit of the transit and commuter capital programs on an accrual basis.

(5) Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), Station Maintenance and Service Reimbursements, and Revenues from Investment of Capital Program Funds.

(6) Actuals for the years 1999-2002 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. 2004 budgeted debt service does not reflect the prepayments made in 2003 of 2004 debt service.

The following should be noted in Table 2:

- The level of fares increased on May 4, 2003 for the Transit System and May 1, 2003 for the Commuter System.
- 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. TBTA Surplus increased in 2003 based upon the toll increases that became effective on May 18, 2003.
- 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.
- As noted in the second bullet point above, in 2003, mortgage recording taxes (\$278 million), including those no longer needed to pay debt service on the defeased TBTA mortgage recording tax bonds, were available for Transit and Commute System purposes after the payment of MTA headquarters expenses.
- 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 in 2003.
- 2004 Budgeted Total Operating Expenses and Debt Service are higher than Total Pro Forma Transportation Resolution Pledged Revenues; however, additional non-pledged revenues, including mortgage recording taxes, concession revenues at Pennsylvania Station and Grand Central Terminal, and the drawdown of cash balances are expected to result in balanced budgets for 2004.

### **Description of Pledged Revenues**

Each of the following revenues is described in more detail in **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES."

### ***Revenues from Systems Operations.***

- ***Fares from the Transit and Commuter Systems*** – For *transit*, while the basic fare was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average fare to substantially less than that (\$1.26 in 2003); 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.
- ***Other Income*** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MNCRC) and Pennsylvania Station (the main station for LIRR), however, are not included within these amounts pledged.

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

### ***Revenues from Governmental Sources.***

- General operating subsidies from the State and local governments – Under the State’s Section 18-b program, MTA receives –
  - o subsidies for transit from the State and matching subsidies from New York City, and
  - o subsidies for commuter from the State and matching subsidies from New York City and the seven counties in the MTA district.
- ***Special tax-supported operating subsidies*** – MTA receives subsidies from a number of sources including –
  - o portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
    - the state-wide business privilege tax imposed on petroleum businesses in the State, referred to as the PBT,
    - the motor fuel tax on gasoline and diesel fuel, and
    - certain motor vehicle fees, including both registration and non-registration fees; and
  - o portions of the following mass transportation operating assistance or MTOA taxes, which state law requires first be used to pay debt service on MTA’s Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—
    - the regional PBT (in addition to the state-wide portion described above), which is referred to as the MTOA PBT,
    - the sales and compensating use tax within the MTA transportation district,

- two franchise taxes imposed on certain transportation and transmission companies, and
- a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
- a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.
- ***Station maintenance and service reimbursements*** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support the Transit Authority’s paratransit, senior-citizen and school-children programs. Also, MNCRC receives certain payments from the Connecticut Department of Transportation for its share of the operating deficits of the New Haven rail line.

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

### **Factors Affecting Revenues**

***Ridership.*** The level of fare revenues depends to a large extent on MTA’s ability to maintain and/or increase ridership levels on the Transit and Commuter Systems. Those ridership levels are affected by safety 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 2004 and the forecasts prepared in connection with 2005, 2006 and 2007) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

**Operating Results and Projections.** Based upon the adoption of the 2004-2007 Financial Plan, MTA projects that the budgets for the Transit System and the Commuter System will be balanced on a cash basis for calendar year 2004, but that there will be substantial gaps thereafter. Either or both systems 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 actions to close projected budget gaps, which could include raising fares.

**2004-2007 Financial Plan.** The 2004-2007 Financial Plan, the 2000-2004 Capital Programs 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 2004-2007 Financial Plan, the 2000-2004 Capital Programs and future capital programs, as well as on pledged revenues. See **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. Since September 11, 2001, TBTA operating expenses have risen substantially to fund increased security measures.

**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 2004A 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).

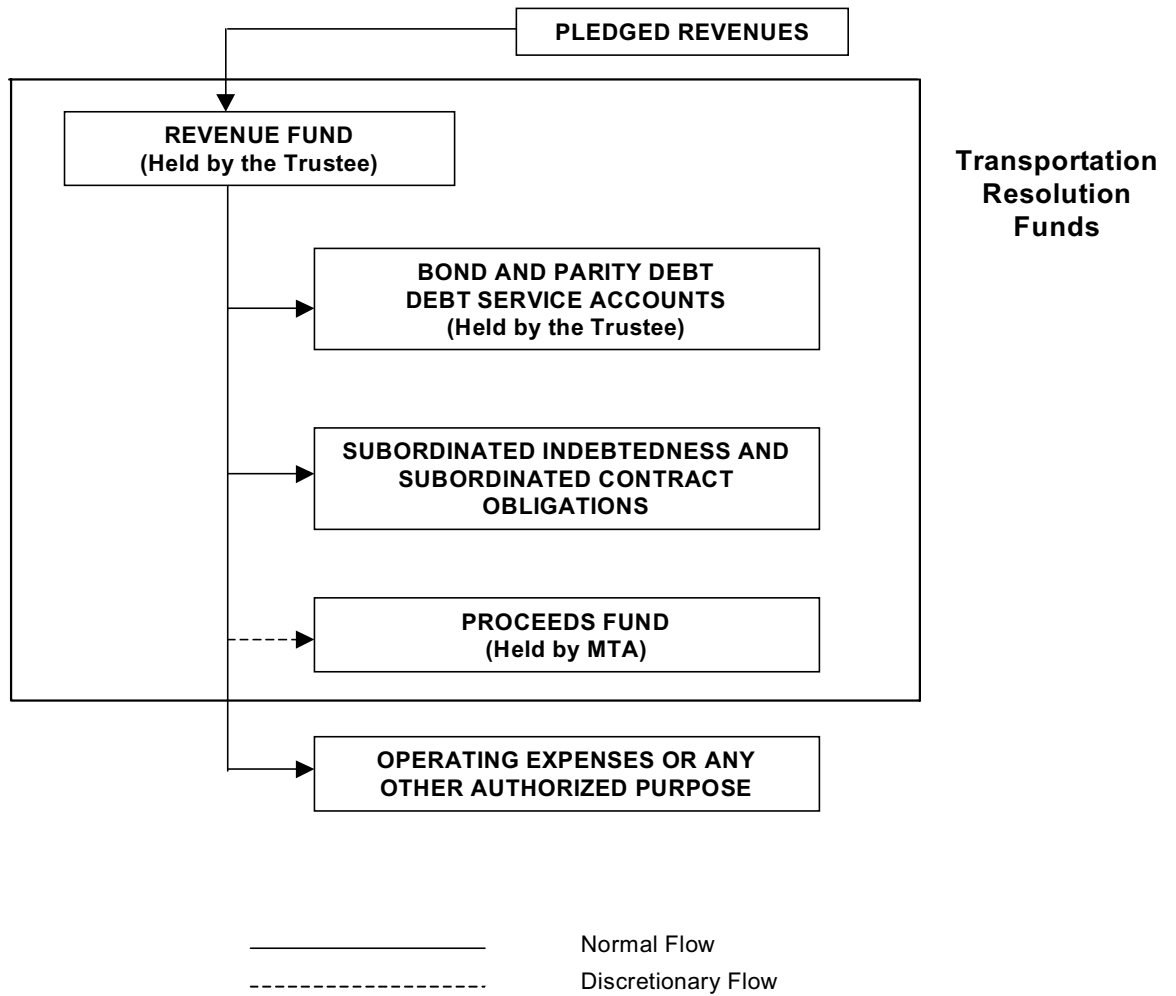
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

- 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 **Appendix A** under the caption “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 2004A BONDS

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

#### TAX MATTERS

Nixon Peabody LLP is Bond Counsel for the Series 2004A Bonds. Their opinion under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2004A 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 2004A 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 2004A Bonds are delivered.

The Internal Revenue Code imposes requirements on the Series 2004A Bonds that MTA must continue to meet after the Series 2004A Bonds are issued. These requirements generally involve the way that Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A Bonds or affect the market price of the Series 2004A 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 2004A Bonds or under State, local or foreign tax law.

## **LEGALITY FOR INVESTMENT**

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

## **LITIGATION**

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the Transit Authority, LIRR, MNCRC and TBTA. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** 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 2004A Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2004A 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 2004A Bonds.

## **UNDERWRITING**

The Underwriters for the Series 2004A Bonds, acting through Bear, Stearns & Co. Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2004A Bonds at an aggregate purchase price of \$499,174,491.04, reflecting an Underwriters' discount of \$825,508.96, and to reoffer such Series 2004A Bonds at par.

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

## RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2004A 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	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
One State Street Plaza	99 Church Street	55 Water Street
New York, New York 10004	New York, New York 10007	New York, New York 10041
(212) 908-0500	(212) 553-0300	(212) 438-2000

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

The expected ratings on the bonds identified in the Summary of Terms reflect the ratings of the bank and the bond insurer providing liquidity support and credit enhancement for each respective subseries of the Series 2004A 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 2004A 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



## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2004A Bonds. The Series 2004A 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 2004A Bond will be issued for each maturity of the Series 2004A 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 2004A Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

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

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

4. To facilitate subsequent transfers, all Series 2004A 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 2004A 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 2004A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004A 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 2004A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2004A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2004A Bond documents. For example, Beneficial Owners of the Series 2004A Bonds may wish to ascertain that the nominee holding the Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A 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 2004A Bonds purchased or tendered, through its Participant, to the Tender/Remarketing Agent, and shall effect delivery of such Series 2004A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2004A Bonds, on DTC's records, to the Tender/Remarketing Agent. The requirement for physical delivery of Series 2004A Bonds in connection with an optional tender or a mandatory purchase will be

deemed satisfied when the ownership rights in the Series 2004A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of Tendered Series 2004A Bonds to the Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2004A 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 2004A 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 2004A 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.

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## ATTACHMENT 2

### DEFINITIONS

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

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

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

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

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

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

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

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

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

**Expiration Date** means, with respect to a Liquidity Facility with respect to the Series 2004A Bonds of a Subseries, the stated expiration date of such Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Liquidity Facility is no longer effective by reason of its

Termination Date, the date on which all Series 2004A Bonds of such Subseries bear interest in an Auction Rate Mode or Fixed Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

**Favorable Opinion of Bond Counsel** means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel's Opinion to the effect that such action is permitted under the Issuer Act and the Transportation Resolution and that such action will not impair the exclusion of interest on such Series 2004A 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 2004A Bonds).

**Fixed Rate Mode** means the mode during which Series 2004A 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 2004A Bonds to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the maturity date.

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

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

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

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

**Mode Change Date** means, with respect to Series 2004A Bonds of a Subseries, the date one Mode terminates and another Mode begins.

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

**Purchase Date** means with respect to any Series 2004A Bond of a Subseries, any Business Day upon which such Series 2004A Bond is optionally tendered for purchase by its holder in accordance with the Transportation Resolution.

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

**Remarketing Agent**, as applicable, means Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, or any successor Remarketing Agent.

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

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

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

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

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

**Trustee** means JPMorgan Chase Bank or any successor Trustee.

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## ATTACHMENT 3

### FORM OF OPINION OF BOND COUNSEL

**Upon delivery of the Series 2004A Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:**

June \_\_\_\_, 2004

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 \$500,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Variable Rate Refunding Bonds, Series 2004A, consisting of the Subseries 2004A-1 Bonds, the Subseries 2004A-2 Bonds, the Subseries 2004A-3 Bonds and the Subseries 2004A-4 Bonds (collectively, the "Series 2004A 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 2004A 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 January 29, 2004 (collectively, the "Resolution").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2004A Bonds in order that interest on the Series 2004A Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2004A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2004A Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2004A 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 2004A 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 2004A Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

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

We have also examined one of said Series 2004A Bonds as executed and, in our opinion, the form of said Series 2004A 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 2004A 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 2004A 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 2004A Bonds.

4. The MTA, the holders of the Series 2004A 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 2004A 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 2004A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A 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 CIFGNA

#### General

There follows in this **Attachment 4** certain information concerning CDC IXIS Financial Guaranty North America, Inc. (CIFGNA) and CIFGNA's policy (the CIFGNA Insurance Policy) which has been supplied by CIFGNA for use in this official statement. CIFGNA has also supplied the specimen of the CIFGNA Insurance Policy attached to this official statement in this **Attachment 4**. No representation is made by MTA, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither MTA, the Underwriters or any of their counsel has made any independent investigation of CIFGNA or the CIFGNA Insurance Policy, and reference should be made to the information set forth below.

Payment of the principal of and interest when due on the Subseries 2004A-1 and Subseries 2004A-2 Bonds insured by CIFGNA (the CIFGNA Insured Bonds) will be insured by the CIFGNA Insurance Policy issued by CIFGNA simultaneously with the issuance of the Subseries 2004A-1 and Subseries 2004A-2 Bonds.

#### CIFGNA and the CIFGNA Insurance Policy

CIFGNA is a monoline financial guaranty insurance company incorporated under the laws of the State of New York, with its principal place of business in New York City.

The claims-paying ability (also referred to as its financial strength) of CIFGNA is rated "AAA" by Fitch, "Aaa" by Moody's, and "AAA" by Standard and Poor's, the highest rating assigned by each such Rating Agency. Each rating of CIFGNA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of CIFGNA and its ability to pay claims on its policies of insurance based upon, among other factors, the adequacy of the net worth maintenance and reinsurance agreements provided by CIFG described below under "—Capitalization." Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold the CIFGNA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the Ratings Agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the CIFGNA Insured Bonds. CIFGNA does not guarantee the market price of the CIFGNA Insured Bonds nor does it guaranty that the ratings on the CIFGNA Insured Bonds will not be revised or withdrawn.

CIFGNA is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in over 40 jurisdictions. CIFGNA is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that each such insurer maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each such insurer, and limits the size of individual transactions ("single risks") and the volume of transactions ("aggregate risks") that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as CIFGNA regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings. CIFGNA is required to file quarterly and annual statutory financial statements

with the New York State Insurance Department (“NYSID”), and is subject to statutory restrictions concerning the types and quality of its investments and the filing and use of policy forms and premium rates. Additionally, CIFGNA’s accounts and operations are subject to periodic examination by the NYSID.

THE INSURANCE PROVIDED BY THE CIFGNA INSURANCE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED BY THE INSURANCE LAWS OF THE STATE OF NEW YORK.

### Capitalization

In addition to its capital and surplus as set forth below, CIFGNA is supported by a net worth maintenance agreement from its indirect parent, CDC IXIS Financial Guaranty, a French reinsurance corporation (“CIFG”). The net worth maintenance agreement provides that CIFG will maintain CIFGNA’s U.S. statutory capital and surplus at no less than \$80 million. In addition, through a facultative reinsurance agreement, CIFGNA may cede up to 90% of its exposure on each transaction to CIFG; however, the facultative reinsurance agreement does not require that CIFG reinsure its exposure under any transaction. CIFG’s claims-paying ability is rated “Aaa” by Moody’s, “AAA” by Standard & Poor’s and “AAA” by Fitch, the highest rating assigned by each such rating agency. *Notwithstanding these net worth maintenance and reinsurance agreements, the holders of the CIFGNA Insured Bonds will have direct recourse against CIFGNA only, and neither CIFG nor any other affiliate of CIFGNA will be directly liable to the holders of the CIFGNA Insured Bonds.*

The following table sets forth the capitalization of CIFGNA as of March 31, 2004, on the basis of accounting principles prescribed or permitted by the NYSID (in thousands):

Common capital stock	\$ 19,700
Gross paid in and contributed surplus	110,925
Unassigned funds (retained deficit)	<u>( 33,942)</u>
Surplus as regards policyholders	\$ 96,683

There has been no material adverse change in the capitalization of CIFGNA from March 31, 2004 to the date of this official statement.

Audited financial statements of CIFGNA as of December 31, 2003, prepared in accordance with statutory accounting principles applicable to insurance companies, may be obtained by writing to CIFGNA at 825 Third Avenue, 6th Floor, New York, New York 10022, Attention: Finance Department. The toll-free telephone number of CIFGNA is (866) CIFG 212.

The CIFGNA Insurance Policy does not protect investors against changes in market value of the CIFGNA Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. CIFGNA makes no representation regarding the CIFGNA Insured Bonds or the advisability of investing in the CIFGNA Insured Bonds. CIFGNA makes no representation regarding this official statement nor has it participated in the preparation thereof, except that CIFGNA has provided to the MTA the information presented in this **Attachment 4**.



**CDC IXIS Financial Guaranty North America, Inc.**  
**825 Third Avenue, Sixth Floor**  
**New York, NY 10022**  
**For information, contact (212) 909-3939**  
**Toll-free (866) 243-4212**

## FINANCIAL GUARANTY INSURANCE POLICY

ISSUER:

Policy No.: CIFGNA-#

CUSIP:

Effective Date:

OBLIGATIONS:

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. ("CIFGNA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFGNA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFGNA following CIFGNA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law (such payment to be made by CIFGNA in accordance with Endorsement No. 1 hereto).

CIFGNA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFGNA hereunder. Upon disbursement in respect of an Obligation, CIFGNA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; *provided, however, that* any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFGNA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" shall have the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFGNA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations, except a contemporaneous or subsequent agreement or instrument given by CIFGNA or to which CIFGNA has given its written consent, or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFGNA. Payments under this Policy may not be accelerated except at the sole option of CIFGNA.

In witness whereof, CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC.

By \_\_\_\_\_  
 Authorized Officer

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## ATTACHMENT 5

### INFORMATION RELATING TO XL CAPITAL

#### General Information

There follows in this **Attachment 5** certain information concerning XL Capital Assurance Inc. (XL Capital) and XL Capital's policy (the XL Capital Insurance Policy) which has been supplied by XL Capital for use in this official statement. XL Capital has also supplied the specimen of the XL Capital Insurance Policy attached to this official statement in this **Attachment 5**. No representation is made by MTA, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither MTA, the Underwriters or any of their counsel has made any independent investigation of XL Capital or the XL Capital Insurance Policy, and reference should be made to the information set forth below.

XL Capital accepts no responsibility for the accuracy or completeness of this official statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XL Capital and its affiliates set forth under this **Attachment 5**. In addition, XL Capital makes no representation regarding the Subseries 2004A-3 and Subseries 2004A-4 Bonds (the XL Capital Insured Bonds) or the advisability of investing in the XL Capital Insured Bonds.

Payment of the principal of and interest when due on the XL Capital Insured Bonds will be insured by the XL Capital Insurance Policy issued by XL Capital simultaneously with the issuance of the XL Capital Insured Bonds.

#### XL Capital – General

XL Capital Assurance Inc. (XL Capital) is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. XL Capital is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-eight other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. XL Capital has a license application pending with the State of Wyoming, the only state in which it is not currently licensed.

XL Capital is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation (XL Capital Ltd). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against XL Capital.**

XL Capital was formerly known as The London Assurance of America Inc. (London), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. (XL Re) acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

## **Reinsurance**

XL Capital has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd (“XLFA”), an insurance company organized under the laws of Bermuda, and an affiliate of XL Capital. Pursuant to this reinsurance agreement, XL Capital expects to cede up to 90% of its business to XLFA. XL Capital may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by XL Capital as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit XL Capital’s obligations under any financial guaranty insurance policy. With respect to any transaction insured by XL Capital, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XL Capital has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XL Capital, including the XL Capital Insurance Policy.

Based on the audited financials of XLFA, as of December 31, 2003, XLFA had total assets, liabilities, redeemable preferred shares and shareholders’ equity of \$831,762,000, \$401,123,000, \$39,000,000 and \$391,639,000, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA’s insurance financial strength is rated “Aaa” by Moody’s and “AAA” by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of “AAA” from S&P.

The obligations of XLFA to XL Capital under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd (XLI), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to A.M. Best’s rating of “A+” (Negative Outlook), XLI’s insurance financial strength rating is “Aa2” by Moody’s, “AA-” by Standard & Poor’s and “AA” by Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the XL Capital Insured Bonds, and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s or Fitch.

Notwithstanding the capital support provided to XL Capital described in this section, the owners of the XL Capital Insured Bonds will have direct recourse against XL Capital only, and neither XLFA nor XLI will be directly liable to the owners of the XL Capital Insured Bonds.

## **Financial Strength and Financial Enhancement Ratings of XL Capital**

XL Capital’s insurance financial strength is rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s and Fitch, Inc. (“Fitch”). In addition, XL Capital has obtained a financial enhancement rating of “AAA” from Standard & Poor’s. These ratings reflect Moody’s, Standard & Poor’s and Fitch's current assessment of XL Capital’s creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under “Reinsurance” above.

The above ratings are not recommendations to buy, sell or hold securities, including the XL Capital Insured Bonds and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the XL Capital Insured Bonds. XL Capital does not guaranty the market price of the XL Capital Insured Bonds nor does it guaranty that the ratings on the XL Capital Insured Bonds will not be revised or withdrawn.

## **Capitalization of XL Capital**

Based on the audited statutory financial statements for XL Capital as of December 31, 2002 filed with the State of New York Insurance Department, XL Capital has total admitted assets of \$180,993,189, total liabilities of \$58,685,217 and total capital and surplus of \$122,307,972 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities (“SAP”). Based on the audited statutory financial statements for XL Capital as of December 31, 2003 filed with the State of New York Insurance Department, XL Capital has total admitted assets of \$329,701,823, total liabilities of \$121,635,535 and total capital and surplus of \$208,066,288 determined in accordance with SAP.

For further information concerning XL Capital and XLFA, see the financial statements of XL Capital and XLFA, and the notes thereto, incorporated by reference in this official statement. The financial statements of XL Capital and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the “Commission”) by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XL Capital and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this official statement, or after the date of this official statement but prior to termination of the offering of the XL Capital Insured Bonds, shall be deemed incorporated by reference in this official statement. Except for the financial statements of XL Capital and XLFA, no other information contained in XL Capital Ltd’s reports filed with the Commission is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XL Capital are available upon request to the State of New York Insurance Department.

## **Regulation of XL Capital**

XL Capital is regulated by the Superintendent of Insurance of the State of New York. In addition, XL Capital is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XL Capital is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XL Capital is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

**THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY XL CAPITAL, INCLUDING THE XL CAPITAL INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.**

The principal executive offices of XL Capital are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.



250 Park Avenue  
New York, New York 10177  
Telephone: (646) 658-5900

## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [            ]

Policy No: [            ]

BONDS: [            ]

Effective Date: [            ]

**XL Capital Assurance Inc. (XLCA)**, a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

**SPECIMEN**

Name:  
Title:

**SPECIMEN**

Name:  
Title:

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## ATTACHMENT 6

### INITIAL LIQUIDITY FACILITY ISSUER DEPFA BANK PLC

The following information has been provided by the Bank (at times referred to hereinafter as "DEPFA") 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.

DEPFA BANK plc ("DEPFA") is the parent company of the DEPFA BANK plc group of companies comprising DEPFA and its consolidated subsidiaries (the "Group"). DEPFA will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of DEPFA BANK plc, Dublin. DEPFA is based in Dublin and has a banking license from the Central Bank of Ireland and is regulated by the Irish Financial Services Regulatory Authority. It is registered in the Irish companies Registration Office with company number 348819 and its shares are listed on the Frankfurt Stock Exchange. DEPFA has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group provides a broad range of products and services to public sector entities, from governmental budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services. The Group has direct client contacts with many state entities and focuses on those public sector entities involved in large volume business. The Group advises individual public sector borrowers on their international capital market transactions and preparations for the ratings process.

As of December 31, 2003, DEPFA had total consolidated assets of Euro 174.0 billion, outstanding medium and long term loans to customers of Euro 63 billion, shareholders' equity of Euro 1.4 billion and consolidated net income of Euro 384 million, determined in accordance with the United States generally accepted accounting principles (US GAAP). DEPFA maintains its records and prepares its financial statements in Euro. At December 31, 2003, the exchange rate was 1.0000 Euro equals 1.2630 United States dollars. Such exchange rate fluctuates from time to time.

On March 1, 2004, DEPFA announced that it intends to sell its German subsidiary, DEPFA Deutsche Pfandbriefbank AG, which represents approximately 50% of the Group's total assets and approximately 20% of net profits, as of December 31, 2003. Deutsche Pfandbriefbank AG is primarily engaged in public finance in Germany. The transaction should permit DEPFA to de-leverage its balance sheet and further expand and diversify its business internationally, including the U.S. public finance market. The sale is not subject to any further approval and may be completed by the end of the third quarter of 2004. Information regarding the status of the sale of DEPFA Deutsche Pfandbriefbank AG is available on DEPFA's website at: [www.depfa.com](http://www.depfa.com).

DEPFA is rated "Aa3" long-term and "P-1" short-term by Moody's, "AA-" long-term and "A-1+" short-term by S&P, and "AA-" long-term and "F1+" short-term by Fitch. In connection with the intended sale of DEPFA Deutsche Pfandbriefbank AG, on March 1, 2004, Moody's placed DEPFA BANK plc and

related entities on negative outlook, noting uncertainty as to how DEPFA will expend sale proceeds. DEPFA's short-term ratings were not affected.

DEPFA will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: DEPFA BANK plc, New York Agency, 623 Fifth Avenue, 22<sup>nd</sup> Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date. In addition, updated financial information may be found from the DEPFA website at: [www.depfa.com](http://www.depfa.com).





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