



\$1,246,870,000
Metropolitan Transportation Authority
Dedicated Tax Fund Bonds, Series 2002A

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2002A Bonds are being issued to refund certain dedicated tax fund bonds of MTA and to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2002A Bonds –

- are MTA's special, not general, obligations, payable solely from the State taxes deposited into the Pledged Amounts Account of the Metropolitan Transportation Authority Dedicated Tax Fund as described herein, and
- are not a debt of the State or The City of New York or any other local government unit.

MTA has no taxing power.

In the opinion of Hawkins, Delafield & Wood, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2002A Bonds is

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

Also in Bond Counsel's opinion, under existing law interest on the Series 2002A Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State.

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

The Series 2002A 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 August 15, 2002.

The scheduled payment of principal of and interest on certain maturities of the Series 2002A Bonds, as set forth on the inside cover page, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2002A Bonds by Financial Security Assurance Inc. (the Insurer).



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

Morgan Stanley

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

First Albany Corporation
Salomon Smith Barney

JPMorgan

Lehman Brothers
UBS PaineWebber Inc.

ABN AMRO Financial Services, Inc.
Commerce Capital Markets
Quick & Reilly, Inc.
Roosevelt & Cross, Inc.

Advest, Inc./Lebenthal & Co.
Fahnestock & Co., Inc.

CIBC World Markets
Jackson Securities

Ramirez & Co., Inc. **Raymond James & Associates, Inc.** **RBC Dain Rauscher Inc.**
Siebert Brandford Shank & Co., LLC **Wachovia Bank, National Association**

\$1,246,870,000
Metropolitan Transportation Authority
Dedicated Tax Fund Bonds, Series 2002A
\$662,265,000 Serial Bonds

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number*</u>
2003	\$27,670,000	3.50 %	1.75 %	59259NKD4
2004	5,795,000	2.00	1.90	59259NKE2
2004	22,830,000	4.00	1.90	59259NKF9
2005	9,695,000	2.30	2.35	59259NKG7
2005	3,420,000	4.00	2.35	59259NKH5
2005	16,565,000	5.00	2.35	59259NKJ1
2006**	14,180,000	2.60	2.62	59259NKK8
2006	3,275,000	2.70	2.72	59259NKL6
2006**	13,400,000	5.00	2.62	59259NKM4
2007**	10,610,000	2.875	2.93	59259NKN2
2007	9,535,000	3.00	3.03	59259NKP7
2007**	11,835,000	5.00	2.93	59259NKQ5
2008**	17,840,000	3.25	3.28	59259NKR3
2008**	9,555,000	5.00	3.28	59259NKS1
2008**	5,755,000	5.25	3.28	59259NKT9
2009**	22,810,000	3.50	3.52	59259NKU6
2009**	11,725,000	5.00	3.52	59259NKV4
2010**	7,555,000	3.70	3.72	59259NKW2
2010**	8,375,000	5.00	3.72	59259NKX0
2010**	19,980,000	5.25	3.72	59259NKY8
2011**	5,850,000	3.80	3.82	59259NKZ5
2011**	31,805,000	5.00	3.82	59259NLA9
2012**	7,955,000	3.90	3.92	59259NLB7
2012**	22,500,000	5.25	3.92	59259NLT8
2012**	9,000,000	5.50	3.92	59259NLC5
2013**	26,240,000	4.00	4.04	59259NLD3
2013**	15,270,000	5.50	4.04†	59259NLE1
2014**	2,705,000	4.00	4.13	59259NLF8
2015**	2,805,000	4.20	4.24	59259NLG6
2016**	2,885,000	4.30	4.34	59259NLH4
2017**	2,985,000	4.40	4.44	59259NLJ0
2018**	3,145,000	4.50	4.54	59259NLK7
2019**	885,000	4.60	4.64	59259NLL5
2019**	2,430,000	5.125	4.64†	59259NLM3
2020**	765,000	4.70	4.74	59259NLN1
2020**	2,725,000	5.125	4.74†	59259NLP6
2021**	3,590,000	4.80	4.84	59259NLQ4
2022**	3,780,000	4.90	4.93	59259NLR2
2023**	64,195,000	5.00	5.04	59259NLS0
2024**	67,405,000	5.25	4.94†	59259NLU5
2025**	70,940,000	5.25	4.95†	59259NLV3
2026**	50,000,000	5.50	4.78†	59259NLW1
2030	10,000,000	5.25	5.175†	59259NMC4

\$584,605,000 Term Bonds

\$70,250,000 4.75% Series 2002A Term Bonds Due November 15, 2027** Priced to Yield 5.09% CUSIP Number* 59259NLX9
 \$115,410,000 5.00% Series 2002A Term Bonds Due November 15, 2028** Priced to Yield 5.10% CUSIP Number* 59259NLY7
 \$167,370,000 5.00% Series 2002A Term Bonds Due November 15, 2030 Priced to Yield 5.21% CUSIP Number* 59259NLZ4
 \$231,575,000 5.00% Series 2002A Term Bonds Due November 15, 2032** Priced to Yield 5.12% CUSIP Number* 59259NMA8

The Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2002A 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.

* CUSIP numbers have been assigned by an independent company not affiliated with MTA and are included solely for the convenience of the holders of the Series 2002A Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2002A Bonds or as indicated above.

** Insured by Financial Security Assurance Inc.

† Priced at the stated yield to the November 15, 2012 optional redemption date at a redemption price of 100%.

Metropolitan Transportation Authority

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

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

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

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

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

SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2002A Bonds. The information in this official statement, including the materials filed with the repositories and included by specific reference as described herein, provides a more detailed description of matters relating to MTA and to MTA's Dedicated Tax Fund Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.		
Bonds Being Offered	Dedicated Tax Fund Bonds, Series 2002A.		
Purpose of Issue.....	To refund certain MTA dedicated tax fund bonds and to finance certain transit and commuter projects. MTA will retain its right to redeem prior to maturity those Refunded Bonds that are described as being escrowed to maturity on Attachment 6 .		
Maturities and Rates	<i>See</i> inside cover.		
Denominations.....	\$5,000 and whole multiples of \$5,000.		
Interest Payment Dates	May 15 and November 15, commencing November 15, 2002.		
Redemption.....	<i>See</i> DESCRIPTION OF SERIES 2002A BONDS – Redemption Prior to Maturity <i>in Part I</i> .		
Sources of Payment and Security	MTA's pledged State taxes.		
Credit Enhancement.....	FSA municipal bond insurance policy for maturities indicated on the inside cover.		
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.		
Trustee	The Bank of New York.		
Bond Counsel.....	Hawkins, Delafield & Wood, New York, New York.		
Tax Status	<i>See</i> TAX MATTERS <i>in Part III</i> .		
Ratings	<u>Rating Agency</u>	<u>Insured Bonds</u>	<u>Uninsured Bonds</u>
	Standard & Poor's	AAA	AA-
	Fitch	AAA	A+
Financial Advisor.....	Goldman, Sachs & Co.		
Underwriters	<i>See</i> cover page. Morgan Stanley & Co. Incorporated is the representative of the Underwriters for the Series 2002A Bonds.		
Purchase Price/Underwriters' Discount.....	<i>See</i> UNDERWRITING <i>in Part III</i> .		
Verification Agent	Bond Logistix LLC, New York, New York.		
Counsel to the Underwriters	Holland & Knight LLP, New York, New York.		
MTA Special Counsel.....	Nixon Peabody LLP <i>and</i> Squire, Sanders & Dempsey L.L.P., New York, New York.		

-
- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2002A Bonds, in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or anyone else to give any information or make any representation in connection with the offering of the Series 2002A 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 2002A 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 reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - ***No Guarantee of Information by 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 Insurer Information.*** Other than with respect to information concerning the Insurer contained under the caption DESCRIPTION OF SERIES 2002A BONDS—Bond Insurance and in Attachment 7 herein, none of the information in this official statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to
 - the accuracy or completeness of information it has neither supplied nor verified,
 - the validity of the Series 2002A Bonds, or
 - the tax-exempt status of the interest on the Series 2002A Bonds.

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

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

INTRODUCTION

MTA, TBTA and Other Related Entities

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

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

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

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

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

Where to Find Information

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

- This **Introduction** provides a general description of the MTA Dedicated Tax Fund, as well as certain information relating to the restructuring of public debt securities by MTA and its affiliates, TBTA and the Transit Authority.
- **Part I** provides specific information about the Series 2002A Bonds.
- **Part II** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2002A Bonds.
- **Part III** provides miscellaneous information relating to the Series 2002A Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2002A Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2002A Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2002A Bonds.
- **Attachment 4** sets forth a summary of certain provisions of the DTF Resolution.
- **Attachment 5** sets forth a summary of certain standard resolution provisions incorporated in the DTF Resolution.
- **Attachment 6** sets forth certain information relating to the bonds being refunded by the Series 2002A Bonds.
- **Attachment 7** sets forth the form of the municipal bond insurance policy.
- **Information Included by Specific Reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

Bloomberg Municipal Repository

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

FT Interactive Data

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

DPC Data Inc.

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

Standard & Poor's J.J. Kenny Repository

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

Information Included by Specific Reference. The information listed under the caption "Information Included by Specific Reference" in the Table of Contents, as filed with the repositories to date, is "included by specific reference" in this official statement. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2002A Bonds.**

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

The MTA Dedicated Tax Fund

Pursuant to the MTA Act, there are two sources of State funding to the MTA Dedicated Tax Fund: the Dedicated Mass Transportation Trust Fund (MTTF) and the Metropolitan Mass Transportation Operating Assistance Account (MMTOA Account) within the Mass Transportation Operating Assistance Fund (MTOA Fund).

As more fully described under the caption SOURCES OF PAYMENT, current State Tax Law requires that the following be deposited in the MTTF (MTTF Receipts):

- a portion of the revenues derived from certain business privilege taxes imposed by the State on petroleum businesses,
- a portion of the motor fuel tax on gasoline and diesel fuel, and
- a portion of certain motor vehicle fees, including both registration and non-registration fees.

As more fully described under the caption SOURCES OF PAYMENT, current State Tax Law requires that the following be deposited in the MMTOA Account (MMTOA Receipts):

- a 1/4 of one percent regional sales tax,
- a temporary regional franchise tax surcharge,
- a portion of taxes on certain transportation and transmission companies, and
- an additional portion of the business privilege tax imposed on petroleum businesses.

The MTA Act requires that MTTF Receipts deposited into the MTA Dedicated Tax Fund be applied to meet debt service requirements of obligations, including the Series 2002A Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2002A Bonds, are referred to collectively herein as the “Bonds”). That legislation also requires that MMTOA Receipts deposited into the MTA Dedicated Tax Fund be applied, to the extent that MTTF Receipts are not sufficient to meet those requirements, to meet debt service requirements of the Bonds. MTTF Receipts and MMTOA Receipts not used to meet those requirements are transferred to the Operating and Capital Costs Account to be used to pay operating and capital costs of the Transit System and SIRTOA and the Commuter System.

In order to assist MTA in balancing its budgets for calendar year 2002, the State’s enacted budget for the State fiscal year beginning April 1, 2002 advances the payment of MMTOA Receipts scheduled for the first quarter of calendar year 2003 into the fourth quarter of calendar year 2002 (approximately \$231.6 million). Beginning in 2003, MTA expects that it will continue to receive annually the equivalent of four quarters of MMTOA Receipts, with the first quarter of each succeeding calendar year’s receipts similarly advanced. However, this will result in little or no MMTOA Receipts being received during the first quarter of each calendar year. The State’s enacted budget for the State’s fiscal year beginning April 1, 2002 does not change the timing of the State’s payment of, or MTA’s receipt of, MTTF Receipts, which MTA anticipates will be sufficient to make monthly principal and interest deposits into the Debt Service Fund.

The requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose and the availability of moneys to fund such appropriations. The State Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the State Legislature will make any such appropriation. The State is not restricted in its right to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations that are the source of such Revenues.

Debt Restructuring Program

Background. As part of the process of determining funding sources for its transit and commuter capital programs for the years 2000-2004, and in order to increase bonding capacity, release existing reserve funds and simplify its current credit structure, MTA developed a program to restructure its, the Transit Authority’s and TBTA’s debt by consolidating most existing credits into four principal new credits:

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

Portions of Debt Restructuring Completed. MTA has fully defeased the resolutions relating to the following bonds and notes:

- MTA Transit Facilities Revenue Bonds and Bond Anticipation Notes
- MTA Commuter Facilities Revenue Bonds and Bond Anticipation Notes
- MTA Subordinated Commuter Facilities Revenue Bonds (Grand Central Terminal Redevelopment Project)
- Transit Authority Subordinated Transit Facilities Revenue Bonds (Livingston Plaza Project)
- MTA Transit Facilities Service Contract Bonds (1982 and 1987 Resolutions)
- MTA Commuter Facilities Service Contract Bonds (1982 and 1987 Resolutions)

Effect of Debt Restructuring on MTA Capital Programs. Based on amounts currently estimated to have been generated by the completed portions of the program and expected to be generated by the remainder of the debt restructuring program, MTA estimates that approximately \$4.1 billion will be available for the 2000-2004 Capital Programs. MTA annually evaluates the status of all funding sources and projects and may, from time to time, submit amendments to the 2000-2004 Capital Programs needed to bring funding sources and expected project costs into balance. See DEBT RESTRUCTURING and 2002-2003 FINANCIAL PLAN AND 2000-2004 CAPITAL PROGRAMS in **Appendix A**.

Dedicated Tax Fund Bonds. A substantial portion of the net proceeds of the Series 2002A Bonds are expected to be used to refund all of the following outstanding series of dedicated tax fund bonds:

- \$409,010,000 Series 1996A
- \$373,920,000 Series 1998A
- \$363,180,000 Series 1999A

MTA expects to issue Dedicated Tax Fund Bonds, Series 2002B (the Series 2002B Bonds) on a parity with the Series 2002A Bonds on or about September 5, 2002, to refund the \$336,640,000 aggregate principal amount of dedicated tax fund bonds, Series 2000A. The Series 1996A, Series 1998A, Series 1999A and Series 2000A dedicated tax fund bonds being refunded by the Series 2002A Bonds and the Series 2002B Bonds are collectively referred to herein as the Old DTF Bonds. Approximately \$118 million of the proceeds of the Series 2002A Bonds and the Series 2002B Bonds is expected to be used to finance transit and commuter projects operated by MTA's affiliates and subsidiaries.

At the time of issuance and delivery of the Series 2002A Bonds, MTA expects to substitute the DTF Resolution for the old dedicated tax fund bond resolution (the Old DTF Resolution) as the resolution securing the \$554,105,000 Series 2001A Bonds (the Series 2001A Bonds) in accordance with the Old DTF Resolution. No bonds secured by the Old DTF Resolution are expected to remain outstanding following the issuance of the Series 2002B Bonds.

Purchasers of the Series 2002A Bonds should note that, until all of the Old DTF Bonds are fully defeased or paid, which is expected to occur upon issuance and delivery of the Series 2002B Bonds, the DTF Resolution securing the Dedicated Tax Fund Bonds, including the Series 2002A Bonds, will be subject to the pledges and agreements under the Old DTF Resolution.

Release of Existing Reserve Funds. As a result of the defeasance of the Old DTF Bonds, approximately \$214 million in reserves under the Old DTF Resolution will be released to MTA, which moneys are expected to be used primarily to finance transit and commuter capital projects.

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

PART I. SERIES 2002A BONDS

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

FINANCING PLAN AND APPLICATION OF PROCEEDS

Use of Proceeds

Approximately \$118 million of the proceeds of the Series 2002A Bonds and the Series 2002B Bonds will be used to finance transit and commuter projects operated by MTA's affiliates and subsidiaries.

The remainder of the proceeds (net of certain financing, legal, bond insurance and miscellaneous expenses) of the Series 2002A Bonds and the Series 2002B Bonds, together with other moneys of MTA, are being used to refund all outstanding Old DTF Bonds, other than the Series 2001A Bonds (which contain provisions permitting the substitution of the DTF Resolution for the Old DTF Resolution). The Old DTF Bonds being refunded with the net proceeds of Series 2002A Bonds are hereafter referred to as the Refunded Bonds. Upon issuance of the Series 2002A Bonds and the Series 2002B Bonds, the Old DTF Resolution will be defeased and no further bonds or other obligations will be issued or incurred thereunder. The series designations, CUSIP numbers, maturities and principal amounts of the Refunded Bonds and the redemption dates and redemption prices applicable thereto are set forth in **Attachment 6**.

MTA will retain its right to redeem prior to maturity those Refunded Bonds indicated on **Attachment 6**.

Escrow of Government Securities

A portion of the net proceeds of the Series 2002A Bonds will be used to acquire direct obligations of, or obligations guaranteed by, the United States of America (Government Securities), the principal of and interest on which, when due, will provide, together with any moneys which may be deposited by MTA with The Bank of New York, acting in the capacity of successor trustee under the Old DTF Resolution (the Prior Trustee), moneys sufficient to pay the principal or redemption price of the Refunded Bonds and the interest to become due on such Refunded Bonds on and prior to their respective maturity or redemption dates.

The Government Securities and such other moneys, if any, will be deposited with the Prior Trustee upon the issuance and delivery of the Series 2002A Bonds and will be held in trust for the payment of the principal or redemption price of and interest on the Refunded Bonds. Upon making such deposit with the Prior Trustee and the issuance of certain irrevocable instructions to the Prior Trustee pursuant to the Old DTF Resolution, the Refunded Bonds will, under the terms of the Old DTF Resolution, be deemed to have been paid and will no longer be outstanding under the Old DTF Resolution and will cease to be entitled to any lien, benefit or security under the Old DTF Resolution.

DESCRIPTION OF SERIES 2002A BONDS

General

Book-Entry-Only System. The Series 2002A 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 2002A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2002A Bonds, all payments on the Series 2002A 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. The Series 2002A Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this official statement. So long as DTC is the sole registered owner of all of the Series 2002A Bonds, all interest payments will be paid to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

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

Trustee. The Bank of New York is Trustee and Paying Agent with respect to the Bonds.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The Series 2002A Bonds maturing on November 15, 2027 are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2026 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2002A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>
2026	\$24,670,000
2027*	45,580,000

*Final Maturity.

Redemption of the Series 2002A Bonds maturing on November 15, 2027 solely in accordance with the foregoing schedule would result in an average life of approximately 24.899 years calculated from their delivery date.

The Series 2002A Bonds maturing on November 15, 2028 are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2027 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2002A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>
2027	\$33,010,000
2028*	82,400,000

*Final Maturity.

Redemption of the Series 2002A Bonds maturing on November 15, 2028 solely in accordance with the foregoing schedule would result in an average life of approximately 25.964 years calculated from their delivery date.

The Series 2002A Bonds maturing on November 15, 2030 and bearing interest at a rate of 5.00% per annum (the 2030 Term Bond) are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2029 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2002A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>
2029	\$86,520,000
2030*	80,850,000

*Final Maturity.

Redemption of the 2030 Term Bond solely in accordance with the foregoing schedule would result in an average life of approximately 27.733 years calculated from its delivery date.

The Series 2002A Bonds maturing on November 15, 2032 are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2031 at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2002A Bonds shown below:

<u>Year</u>	<u>Principal Amount</u>
2031	\$ 95,415,000
2032*	136,160,000

*Final Maturity.

Redemption of the Series 2002A Bonds maturing on November 15, 2032 solely in accordance with the foregoing schedule would result in an average life of approximately 29.838 years calculated from their delivery date.

Credit Toward Mandatory Sinking Fund Redemption. Credit toward mandatory Sinking Fund Installment requirements may be made as follows, and if made, will thereafter reduce the amount of Series 2002A Bonds otherwise subject to mandatory Sinking Fund Installments on the date credit is taken:

- If MTA directs the trustee to purchase Series 2002A 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 Series 2002A 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 2002A Bonds maturing on or after November 15, 2013 are subject to redemption prior to maturity on any date on or after November 15, 2012, at the option of MTA, in whole or in part on any date (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

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

Redemption Notices. So long as DTC is the securities depository for the Series 2002A Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2002A 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 2002A Bonds is valid and effective even if DTC's procedures for

notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

Redemption Process. If the Trustee gives a redemption notice and holds money to pay the redemption price of the affected Series 2002A Bonds, then on the redemption date the Series 2002A Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Series 2002A Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2002A Bonds.

Bond Insurance

The following information has been furnished by the Insurer for use in this official statement. Reference is made to **Attachment 7** for a specimen of the Insurance Policy. MTA has granted to the Insurer certain rights authorized under Section A-202 of the DTF Resolution, including the right to be deemed the sole Owner of the Series 2002A Bonds whenever the approval, consent or action of the Owners is required. See Definitions and Summary of Certain Provisions of the Standard Resolution Provisions in **Attachment 5** hereto.

Bond Insurance Policy. Concurrently with the issuance of the Series 2002A Bonds, the Insurer will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest when due on those Series 2002A Bonds maturing on November 15, 2006 through November 15, 2028, inclusive, and November 15, 2032 that are identified as insured on the inside cover hereof (collectively, the Insured Bonds), as set forth in the form of the Insurance Policy included as **Attachment 7** to this official statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc. The Insurer is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (Holdings). Holdings is an indirect subsidiary of Dexia, S.A., a publicly-held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or the Insurer is liable for the obligations of the Insurer.

At March 31, 2002, the Insurer's total policyholders' surplus and contingency reserves were approximately \$1,644,743,000 and its total unearned premium reserve was approximately \$841,749,000 in accordance with statutory accounting principles. At March 31, 2002, the Insurer's total shareholders' equity was approximately \$1,746,106,000 and its total net unearned premium reserve was approximately \$693,860,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this official statement until the termination of the offering of the Series 2002A Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Insurance Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Insurer makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. The Insurer makes no representation regarding the official statement, nor has it participated in the preparation hereof, except that the Insurer has provided to MTA the information presented under this caption and in **Attachment 7** for inclusion in this official statement.

Debt Service on the Dedicated Tax Fund Bonds

Table 1 sets forth, on a cash basis for each State fiscal year ending March 31, (i) the debt service on the Series 2001A Bonds that will transfer to the new DTF Resolution, (ii) the debt service on the Series 2002A Bonds, (iii) the estimated debt service on the Series 2002B Bonds, and (iv) the estimated debt service on all Bonds outstanding under the DTF Resolution after issuance of the Series 2002A Bonds and the Series 2002B Bonds.

Table 1⁽¹⁾

Aggregate Debt Service

(000's omitted)

Debt Service on Dedicated Tax Fund Bonds

Year Ending March 31 ⁽²⁾	Series 2001A Bonds ⁽³⁾	Series 2002A Bonds			Estimated Series 2002B Bonds ⁽⁴⁾	Aggregate DTF Resolution ⁽⁴⁾
		Principal	Interest	Total		
2003	\$35,972		\$14,950	\$14,950	\$ 8,663	\$ 59,584
2004	35,969	\$27,670	59,799	87,469	17,909	141,347
2005	35,973	28,625	58,831	87,456	17,819	141,248
2006	35,969	29,680	57,802	87,482	17,864	141,315
2007	35,969	30,855	56,614	87,469	17,864	141,302
2008	35,974	31,980	55,487	87,467	17,909	141,349
2009	35,971	33,150	54,304	87,454	17,819	141,244
2010	35,973	34,535	52,944	87,479	17,864	141,316
2011	35,971	35,910	51,560	87,470	17,864	141,305
2012	35,974	37,655	49,812	87,467	17,909	141,350
2013	35,970	39,455	48,000	87,455	17,819	141,244
2014	35,971	41,510	46,013	87,523	17,733	141,227
2015	35,972	2,705	44,124	46,829	57,962	140,763
2016	35,973	2,805	44,016	46,821	58,138	140,932
2017	35,970	2,885	43,898	46,783	58,235	140,987
2018	35,969	2,985	43,774	46,759	58,459	141,186
2019	35,968	3,145	43,642	46,787	58,569	141,325
2020	35,970	3,315	43,501	46,816	58,714	141,500
2021	35,973	3,490	43,336	46,826	58,825	141,624
2022	35,972	3,590	43,160	46,750	59,093	141,815
2023	35,973	3,780	42,988	46,768	59,249	141,990
2024	35,969	64,195	42,802	106,997	-	142,966
2025	35,970	67,405	39,593	106,998	-	142,967
2026	35,972	70,940	36,054	106,994	-	142,966
2027	35,969	74,670	32,330	107,000	-	142,969
2028	35,972	78,590	28,408	106,998	-	142,970
2029	35,973	82,400	24,592	106,992	-	142,965
2030	35,973	86,520	20,472	106,992	-	142,965
2031	35,969	90,850	16,146	106,996	-	142,966
2032	35,973	95,415	11,579	106,994	-	142,967
2033	-	136,160	6,808	142,968	-	142,968
Total	<u>\$1,079,135</u>	<u>\$1,246,870</u>	<u>\$1,257,337</u>	<u>\$2,504,207</u>	<u>\$732,280</u>	<u>\$4,315,622</u>

(1) Totals may not add due to rounding.

(2) Based on the State's fiscal year ending March 31.

(3) MTA expects to substitute as security for the Series 2001A Bonds the DTF Resolution for, and in accordance with, the Old DTF Resolution on or about the date of issuance of the Series 2002A Bonds.

(4) Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap entered into by MTA, and 4.00% thereafter.

PART II. MTA DEDICATED TAX FUND BONDS

Part II of this official statement describes the sources of payment and security structure for all MTA Dedicated Tax Fund Bonds, including the Series 2002A Bonds.

SOURCES OF PAYMENT

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

Revenues from Dedicated Taxes

MTA Revenues from PBT, Motor Fuel Tax and Motor Vehicle Fees (MTTF Receipts). In 1991, as part of a program to address the need for continued capital investment in the State's transportation infrastructure, the State Legislature established a State fund, called the PBT Dedicated Tax Funds Pool, from which money is apportioned by statutory allocation under current State Tax Law to a State fund, called the Dedicated Mass Transportation Trust Fund (MTTF).

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

- a basic tax which varies, in general, based on product type, and
- a supplemental tax, which is applied at a uniform rate.

A significant portion of net PBT receipts from the basic tax and all of the supplemental tax are required by current law to be deposited in the PBT Dedicated Funds Pool. In addition, a portion of the motor fuel tax on gasoline and diesel fuel and a portion of certain motor vehicle fees, including both registration and non-registration fees, are required by law to be deposited in the PBT Dedicated Funds Pool.

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

A more detailed description of the MTTF Receipts is set forth in **Appendix A** (included herein by specific reference) under the caption MTA DEDICATED TAX FUND REVENUES under the following headings:

- MTTF Receipts – Dedicated Petroleum Business Tax,
- MTTF Receipts – Petroleum Business Carrier Tax,
- MTTF Receipts – Motor Fuel Tax, and
- MTTF Receipts – Motor Vehicle Fees.

MTA Revenues from Special Tax-Supported Operating Subsidies (MMTOA Receipts). Like other mass transit systems in the nation, the Transit System and Commuter System have historically operated at a deficit and have been dependent upon substantial amounts of general operating subsidies from the State, as well as the City and Federal governments. Over time, the ongoing needs of State mass transportation systems led the State to supplement the general operating subsidies with additional operating subsidies supported by special State taxes.

Starting in 1980, in response to anticipated operating deficits of State mass transportation systems, the State Legislature enacted a series of taxes, portions of the proceeds of which have been and are to be deposited in a special State Fund – the ***Mass Transportation Operating Assistance Fund*** - to fund the operations of mass transportation systems. The Metropolitan Mass Transportation Operating Assistance Account, or MMTOA Account, was established in that State Fund to support operating expenses of transportation systems in the Transportation

District, including the Transit Authority, MaBSTOA and the commuter railroads operated by MTA's subsidiaries, LIRR and MNCRC.

Since the creation of the MMTOA Account, MTA has requested and received in each year significant payments from that Account in order to meet operating expenses of the transit and commuter systems. It is expected that payments from the MMTOA Account will continue to be essential to the operations of the transit and commuter systems. Although a variety of taxes have been used to fund the special tax-supported operating subsidies, the taxes levied for this purpose, which MTA refers to collectively as the "MMTOA Taxes," currently include:

- **MMTOA PBT.** The products that are subject to the tax, the tax rates, and the transactions excluded from the tax are identical to those of the basic PBT tax dedicated to the PBT Dedicated Funds Pool and the MTTF Account in that Pool. Pursuant to State law, a portion of the PBT Basic Tax is deposited in the MMTOA Account.
- **District Sales Tax.** The District Sales Tax consists of a one-quarter of one percent (1/4%) sales and compensating use tax imposed on sales and uses of certain tangible personal property and services applicable only within MTA's transportation district.
- **Franchise Taxes.** Also deposited in the MMTOA Account is a legislatively-allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies) —
 - an annual franchise tax based on the amount of the taxpayer's issued capital stock, and
 - an annual franchise tax on the taxpayer's gross earnings from all sources calculated to be in the State pursuant to statutory formulae.
- **Temporary Franchise Surcharge.** The Temporary Franchise Surcharge is imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, utility, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within MTA's transportation district. In accordance with State Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as taxes are received.

In order to assist MTA in balancing its budgets for calendar year 2002, the State's enacted budget for the State fiscal year beginning April 1, 2002 advances the payment of MMTOA Receipts scheduled for the first quarter of calendar year 2003 into the fourth quarter of calendar year 2002 (approximately \$231.6 million). Beginning in 2003, MTA expects that it will continue to receive annually the equivalent of four quarters of MMTOA Receipts, with the first quarter of each succeeding calendar year's receipts similarly advanced. However, this will result in little or no MMTOA Receipts being received during the first quarter of each calendar year. The State's enacted budget for the State's fiscal year beginning April 1, 2002 does not change the timing of the State's payment of, or MTA's receipt of, MTTF Receipts, which MTA anticipates will be sufficient to make monthly principal and interest deposits into the Debt Service Fund.

A more detailed description of the MMTOA Taxes is set forth in **Appendix A** (included herein by specific reference) under the caption MTA DEDICATED TAX FUND REVENUES – MMTOA Account – Special Tax Supported Operating Subsidies.

Five-Year Summary of MTTF Receipts and MMTOA Receipts. **Table 2** sets forth a five-year summary (based on the State's fiscal year ending March 31) of the following:

- actual collections by the State of receipts for each of the sources of revenues that, subject to appropriation and allocation among MTA and other non-MTA transit agencies, could become receipts of the MTA Dedicated Tax Fund,
- amount of MTTF Receipts and MMTOA Receipts, and
- debt service coverage ratio based upon MTTF Receipts, and MTTF Receipts plus MMTOA Receipts.

Table 2

<u>Dedicated Taxes (\$ millions)</u>	State Fiscal Year ending March 31,				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
MTTF					
PBT	\$ 257.2	\$ 277.0	\$ 272.9	\$ 264.1	\$ 298.7
Motor Fuel Tax	-0-	-0-	-0-	53.4	56.8
Motor Vehicle Fees	-0-	-0-	-0-	-0-	25.5
Total Available MTTF Taxes⁽¹⁾	<u>\$ 257.2</u>	<u>\$ 277.0</u>	<u>\$ 272.9</u>	<u>\$ 317.5</u>	<u>\$ 381.0</u>
MTTF Receipts⁽²⁾	\$ 257.4	\$ 278.2	\$ 275.2	\$ 314.9	\$ 373.4
MMTOA					
PBT	\$ 59.1	\$ 63.8	\$ 62.2	\$ 59.5	\$ 68.0
District Sales Tax	305.9	321.4	345.6	368.2	364.7
Franchise Taxes	73.1	64.9	70.5	70.1	82.9
Temporary Franchise Surcharges	600.8	547.0	586.9	563.2	483.4
Total Available MMTOA Taxes⁽³⁾	<u>\$1,038.9</u>	<u>\$997.1</u>	<u>\$1,065.2</u>	<u>\$1,061.0</u>	<u>\$ 999.0</u>
MMTOA Receipts⁽⁴⁾	\$ 690.4	\$878.6	\$ 818.6	\$ 755.2	\$ 755.2
Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)	<u>\$ 947.8</u>	<u>\$1,156.8</u>	<u>\$1,093.8</u>	<u>\$1,070.1</u>	<u>\$1,128.6</u>
Debt Service⁽⁵⁾	\$ 31.2	\$ 57.1	\$ 77.7	\$106.9	\$106.8
Debt Service Coverage Ratio – MTTF Receipts Only	8.25x	4.87x	3.54x	2.95x	3.50x
Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts	30.38x	20.26x	14.08x	10.01x	10.57x

(1) Represents the amount of MTTF taxes collected by the State that was deposited into the Dedicated Mass Transportation Trust Fund, or MTTF.

(2) Represents the amount in the MTTF that was, subject to appropriation, paid to MTA by deposit into the MTA Dedicated Tax Fund, thereby becoming MTTF Receipts. The amount of MTTF Receipts in any State fiscal year could be greater than the amount collected for deposit into the MTTF due to, among other things, investment earnings or surplus amounts retained in the MTTF that were not paid out in prior years.

(3) Represents the amount of MMTOA taxes collected by the State that was deposited into the MMTOA Account. Amounts in the MMTOA Account are available, subject to appropriation, to pay operating expenses of the various public transportation systems throughout the Transportation District, including MTA. The difference between Total Available MMTOA Taxes and MMTOA Receipts generally represents the amount appropriated for operating expenses of the various non-MTA systems in the Transportation District, including \$161.1 million per year appropriated to MTA and other transportation agencies, primarily in accordance with the Section 18-b Program as described in Appendix A under the caption REVENUES OF THE RELATED ENTITIES – State and Local General Operating Subsidies.

(4) Represents the amount in the MMTOA Account that was, subject to appropriation, requested by, and paid to, MTA for deposit into the MTA Dedicated Tax Fund, thereby becoming MMTOA Receipts. The amount of MMTOA Receipts in any State fiscal year could be greater than the amount collected for deposit into the MMTOA Account due to, among other things, investment earnings or surplus amounts retained in the MMTOA Account that were not paid out in prior years.

(5) Represents debt service on bonds outstanding under the Old DTF Resolution.

Factors Affecting Revenues from Dedicated Taxes

Legislative Changes. The requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose and the availability of moneys to fund such appropriations. The State Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the State Legislature will make any such appropriation. The State is not restricted in its right to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations that are the source of such Revenues.

Litigation. Aspects relating to the imposition and collection of the Dedicated Taxes have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers. See LITIGATION for a discussion of a recent case, *Moran Towing Corporation v. Urbach*.

Economic Conditions. Many of the Dedicated Taxes are dependent upon economic and demographic conditions in the State and in MTA's transportation district, and therefore there can be no assurance that historical data with respect to collections of the Dedicated Taxes will be indicative of future receipts.

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

- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made. However, in the case of the PBT that is deposited as a portion of the MTF Receipts, the Legislature has expressed its intent in the State Finance Law to enact for each State fiscal year an appropriation for the current and the next year. See the heading Appropriation by the Legislature below.
- The State is not bound or obligated to continue to pay operating subsidies to the transit or commuter systems or to continue to impose any of the taxes currently funding those subsidies.

Information Relating to the State of New York. Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is on file with each Nationally Recognized Municipal Securities Information Repository with which the State was required to file, and the State has committed to update that information to the holders of its general obligation bonds, in the manner specified in SEC Rule 15c2-12. Prospective purchasers of MTA's Dedicated Tax Fund Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of MTA's Dedicated Tax Fund Bonds. MTA makes no representations about State information or its continued availability.

SECURITY STRUCTURE

The Dedicated Tax Fund Bonds, including the Series 2002A Bonds, are MTA's special obligations payable as to principal, redemption premium, if any, and interest solely from the security, sources of payment and funds specified in the MTA's "Dedicated Tax Fund Obligation Resolution," which includes the Standard Resolution Provisions, adopted on March 26, 2002 (referred to herein as the "DTF Resolution"). Payment of principal or interest on the Bonds may not be accelerated in the event of a default.

MTA Dedicated Tax Fund Bonds are secured primarily by the SOURCES OF PAYMENT described above, and are not secured by

- the general fund or other funds and revenues of the State, or
- the other funds and revenues of MTA or any of its affiliates or subsidiaries.

The Bonds are *not* a debt of the State or The City of New York, or any other local governmental unit. MTA has no taxing power.

See **Attachments 4 and 5** for a more detailed summary of certain provisions of the DTF Resolution and the Standard Resolution Provisions. The provisions of the DTF Resolution are materially different from the provisions of the Old DTF Resolution.

The Pledge Effected by the DTF Resolution

Trust Estate. The DTF Resolution provides that there are pledged to the payment of principal and redemption premium of, interest on, and sinking fund installments for, the Bonds and Parity Debt, in accordance with their terms and the provisions of the DTF Resolution, subject only to the provisions permitting the application of that money for the purposes and on the terms and conditions permitted in the DTF Resolution, the following, referred to as the “trust estate”:

- the proceeds of the sale of the Bonds, until those proceeds are paid out for an authorized purpose,
- the Pledged Amounts Account in the MTA Dedicated Tax Fund (which includes MTF Receipts and MMTOA Receipts), any money on deposit in that Account and any money received and held by MTA and required to be deposited in that Account, and
- all funds, accounts and subaccounts established by the DTF Resolution (except funds, accounts and subaccounts established pursuant to Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

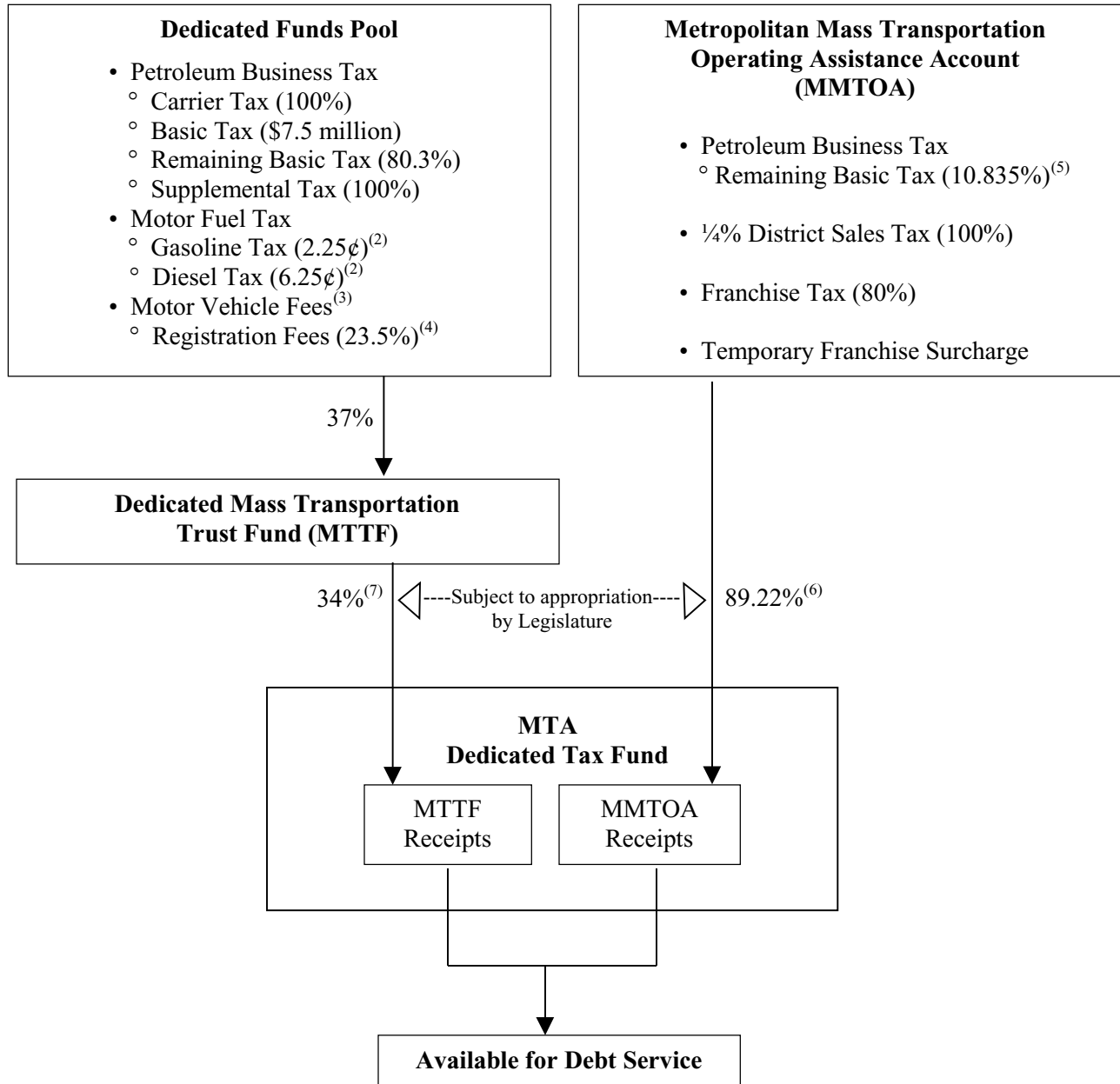
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and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

Flow of Funds

The DTF Resolution establishes a Proceeds Fund held by MTA, and a Debt Service Fund held by the Trustee. See **Attachment 4** for a description of the provisions of the DTF Resolution governing the deposits to and withdrawals from the Funds and Accounts. Amounts held by MTA or the Trustee in any of such Funds shall be held in trust separate and apart from all other funds and applied solely for the purposes specified in the DTF Resolution or any Supplemental Resolution thereto.

The following two charts summarize (i) the flow of taxes into the MTA Dedicated Tax Fund, and (ii) the flow of MTA Dedicated Tax Fund Revenues through the MTA Dedicated Tax Fund and the Funds and Accounts established under the DTF Resolution. See **Appendix A – MTA DEDICATED TAX FUND REVENUES** for a more detailed description of the MTA Dedicated Taxes.

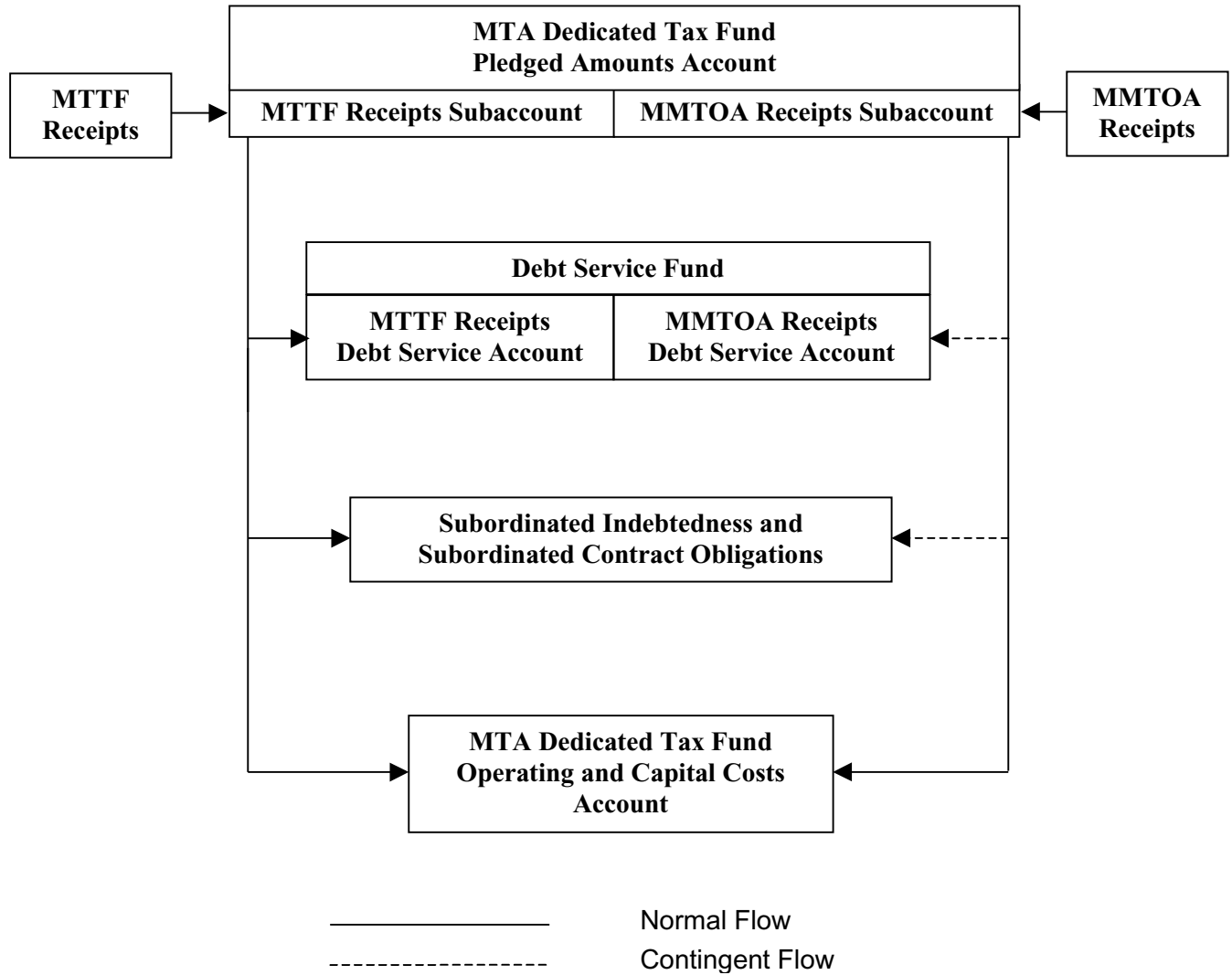
MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE
(As of March 31, 2002⁽¹⁾)



Notes

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ended March 31, 2002 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) Effective April 1, 2003 the Gasoline Tax and Diesel Tax earmarked for the Dedicated Funds Pool both increase by 1.75¢ per gallon.
- (3) In accordance with legislation enacted with the 2000-01 Enacted Budget, additional non-registration Motor Vehicle Fees are to be deposited into Dedicated Funds Pool in amounts equal to \$28.4 million, \$67.9 million and \$170.1 million for State Fiscal Years 2002-03, 2003-04 and 2004-05, respectively.
- (4) Increased to 54.5% on April 1, 2002.
- (5) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in the Upstate Account.
- (6) Percentage based on payments made in State Fiscal Year 2000-2001.
- (7) Percentage of Dedicated Funds Pool.

MTA DEDICATED TAX FUND BONDS – RESOLUTION FLOW OF FUNDS



All amounts on deposit in the Pledged Amounts Account – MTTF Receipts Subaccount are paid out before any amounts on deposit in the Pledged Amounts Account – MMTOA Receipts Subaccount are paid out.

Amounts paid out from any fund or account for an authorized purpose (excluding transfers to any other pledged fund or account) are free and clear of the lien and pledge created by the DTF Resolution.

Debt Service Fund

Pursuant to the DTF Resolution, the Trustee holds the Debt Service Fund, consisting of the MTTF Receipts DS Account and the MMTOA Receipts DS Account. Moneys in the Debt Service Fund are applied by the Trustee to the payment of Debt Service on the Bonds in the manner, and from the accounts and subaccounts, more fully described under **Attachment 4 – SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION – Debt Service Fund**.

MTA is required to make monthly deposits to the appropriate account of the Debt Service Fund of interest (1/5th of the next semiannual payment) and principal (1/10th of the next annual payment), first from MTTF Receipts and then, to the extent of any deficiency, from MMTOA Receipts.

Covenants

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

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

Such certificate must set forth:

(A) for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate: (i) MTTF Receipts, (ii) MMTOA Receipts, and (iii) investment income received during such period on amounts on deposit in the Pledged Amounts Account, the MTTF Receipts Subaccount, the MMTOA Receipts Subaccount and the Debt Service Fund; and

(B) the greatest amount for the then current or any future Debt Service Year of the sum of (a) Calculated Debt Service on all Outstanding Obligations, including the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations, but excluding any Obligations or Parity Debt to be refunded with the proceeds of such Refunding Obligations, plus (b) additional amounts, if any, payable with respect to Parity Debt; and then state:

(x) that the sum of the MTTF Receipts and investment income (other than investment income on the MMTOA Receipts Subaccount) set forth in clause (A) above is not less than 1.35 times the amount set forth in accordance with clause (B) above and

(y) that the sum of the MTTF Receipts, MMTOA Receipts and investment income set forth in clause (A) above is not less than 2.5 times the amount set forth in clause (B) above.

See Attachment 4 – SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Capital Cost Obligations for a description of further provisions which apply to the additional bonds test if the percentage of available existing taxes deposited into the MTA Dedicated Tax Fund is increased or additional taxes are added to the amounts so deposited.

For a discussion of the requirements relating to the issuance of Refunding Bonds, *see Attachment 4 – SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Refunding Obligations*.

Parity Debt

MTA may incur Parity Debt pursuant to the terms of the DTF Resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the DTF Resolution with respect to Bonds. Parity Debt may be incurred in the form of a Parity Reimbursement Obligation, a Parity Swap Obligation or any other contract, agreement or other obligation of MTA designated as constituting "Parity Debt" in a certificate of an Authorized Officer delivered to the Trustee.

Appropriation by the Legislature

The State Constitution provides that the State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the MTTF and MMTOA Account, to be approved by the State Legislature at least every two years. In addition, the State Finance Law provides, except as described below, that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding September 15th. The State Legislature may not be bound in advance to make any appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. MTA expects that the State Legislature will make appropriations from amounts on deposit in the MTTF and MMTOA Account in order to make payments when due.

The State Legislature has expressed its intent in the State Finance Law to enact for each State Fiscal Year in the future in an annual budget bill an appropriation from the MTTF (with respect to the PBT portion only) to the MTA Dedicated Tax Fund for the then current State Fiscal Year and an appropriation of the amounts projected by the Director of the Budget to be deposited in the MTA Dedicated Tax Fund from the MTTF (with respect to the PBT portion only) for the next succeeding State Fiscal Year. In any State Fiscal Year, if the Governor fails to submit or if the State Legislature fails to enact a current year appropriation from the MTTF (with respect to the PBT portion) to the MTA Dedicated Tax Fund, MTA is required to notify the State of amounts required to be disbursed from the appropriation made during the preceding State Fiscal Year for payment in the current State Fiscal Year. The Comptroller may not make any payments from the MTTF to the MTA Dedicated Tax Fund from such prior year appropriation prior to May 1st of the current State Fiscal Year. Until such time as payments pursuant to such appropriation are made in full, revenues in the MTTF shall not be paid over to any entity other than MTA.

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2002-03 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year which ends March 31, 2003 and the other such appropriation is for the succeeding State Fiscal Year which ends March 31, 2004. The appropriation for the 2002-03 State Fiscal Year took effect on April 1, 2002. MTA has periodically availed itself of such prior year's appropriation to meet operating costs in response to delays in the adoption of the State budget in such years.

A budgetary imbalance in the present or any future State Fiscal Year could affect the ability and willingness of the State Legislature to appropriate and the availability of moneys to make the payments from the MTTF and the MMTOA Account. However, MTA believes that any failure by the State Legislature to make appropriations as contemplated would have a serious impact on the ability of the State and its public benefit corporations to raise funds in the public credit markets.

Agreement of the State

The MTA Act prohibits MTA from filing a petition in bankruptcy under Chapter 9 of the Federal Bankruptcy Code or such successor chapters or sections as may from time to time be in effect and the State has pledged that so long as any notes, bonds or lease obligations of the MTA are outstanding, it will not limit or alter the denial of authority to MTA to so file.

Under the MTA Act, the State pledges to and agrees with the holders of any notes, bonds or lease obligations issued or incurred by the MTA, including the Bonds, that the State will not limit or alter the rights vested in the MTA to fulfill the terms of any agreements made by the MTA with the holders of its notes, bonds and lease obligations, including the Bonds, or in any way impair the rights and remedies of such holders. Notwithstanding the foregoing, in accordance with State law, nothing in the DTF Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations which are the source of such Revenues. No default under the DTF Resolution would occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes or appropriations.

PART III. OTHER INFORMATION ABOUT THE SERIES 2002A BONDS

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

TAX MATTERS

General

Hawkins, Delafield & Wood is Bond Counsel for the Series 2002A 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 2002A Bonds is:

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

Their opinion is also that under existing law interest on the Series 2002A Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State. *See Attachment 3* to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2002A Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2002A Bonds that MTA must continue to meet after the Series 2002A Bonds are issued. These requirements generally involve the way that Series 2002A 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 2002A 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 2002A 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 2002A Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2002A Bonds or affect the market price of the Series 2002A 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 2002A Bonds, or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2002A Bonds will have “original issue discount” if the price paid by a bondholder is less than the principal amount of these Series 2002A Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2002A Bonds as it accrues is not included in a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2002A Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2002A Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondholder owns one of these Series 2002A Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2002A Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2002A Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in this Series 2002A Bond will be reduced. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2002A Bond with bond premium, even though the Series 2002A Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2002A Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computations of the adequacy of the maturing principal of and interest earned on the Government Securities to be held by the Prior Trustee to provide for the payment of principal or redemption prices of and interest on the Refunded Bonds when due, and (ii) the mathematical computations supporting the conclusion that the Series 2002A Bonds are not “arbitrage bonds” under the Internal Revenue Code of 1986 will be verified by Bond Logistix LLC. Such verifications will be based upon information supplied to Bond Logistix LLC on behalf of MTA by Morgan Stanley & Co. Incorporated, the senior managing Underwriter.

LEGALITY FOR INVESTMENT

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

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

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

LITIGATION

There is no pending litigation concerning the bonds being offered, except for *Moran Towing Corporation v. Urbach*, a case against the State challenging the constitutionality of limited aspects of the petroleum business tax law. MTA does not believe that an adverse decision in *Moran Towing* would have a material impact on the collection of MTTFF Receipts based upon New York State Division of Budget estimates of a one-time refund liability of approximately \$1.5 million and a reduction in MTTFF Receipts of approximately \$150,000 annually thereafter.

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 Series 2002A Bonds. A summary of certain of these potentially material claims and actions is set forth in **Appendix A – THE RELATED ENTITIES – Litigation**.

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2002A Bonds and the debt restructuring. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2002A Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor's fees for serving as financial advisor is contingent upon the issuance of the Series 2002A Bonds.

UNDERWRITING

The Underwriters for the Series 2002A Bonds, acting through Morgan Stanley & Co. Incorporated, as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2002A Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$1,251,444,266.76, reflecting a net original issue premium of \$10,915,505.60 and an Underwriters' discount of \$6,341,238.84, and to reoffer such Series 2002A Bonds at the public offering prices or yields set forth on the inside cover page.

The Series 2002A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2002A Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2002A Bonds if any Series 2002A Bonds are purchased.

RATINGS

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

Fitch Ratings	Standard & Poor's Ratings Services
One State Street Plaza	55 Water Street
New York, New York 10004	New York, New York 10041
(212) 908-0500	(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.

If, at the time of issuance, the bonds being offered are additionally secured by credit enhancement, such as bond insurance or a letter of credit, the ratings on the bonds will generally reflect the rating of the bond insurer or the letter of credit issuer. If, at the time of issuance, the bonds being offered are additionally secured by liquidity support, the short-term ratings on the bonds will generally reflect the rating of the liquidity provider.

LEGAL MATTERS

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

Certain legal matters regarding MTA will be passed upon by its General Counsel. In addition, certain legal matters will be passed upon by MTA's special counsel or the counsel to the Underwriters, or both, as also indicated in the Summary of Terms.

CONTINUING DISCLOSURE

As more fully stated in **Attachment 2**, MTA has agreed to provide certain financial information and operating data by no later than 120 days following the end of each fiscal year. That information is to include, among other things, information concerning MTA annual audited financial statements prepared in accordance with generally accepted accounting principles, or if unavailable, unaudited financial statements will be delivered until audited statements become available. In addition, MTA has agreed to provide the State's annual audited financial statements prepared in accordance with generally accepted accounting principles when available from the State, or if unavailable, unaudited financial statements when available from the State will be delivered until audited statements become available from the State. MTA has undertaken to file such information with each Nationally Recognized Municipal Securities Information Repository and a New York State Information Depository (SID), if and when one is established.

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

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

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

FURTHER INFORMATION

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

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

any damages caused by viruses contained within the electronic files on any website. MTA also assumes no liability or responsibility for any errors or omissions or for any updates to dated information contained on any website.

METROPOLITAN TRANSPORTATION AUTHORITY

By: Gary G. Caplan
Director, Budgets and Financial Management

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2002A Bonds. The Series 2002A 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 2002A Bond will be issued for each maturity of the Series 2002A 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 2002A 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, GSOC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002A 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 2002A 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 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2002A 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 2002A 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 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A 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 2002A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2002A Bond documents. For example, Beneficial Owners of the Series 2002A Bonds may wish to ascertain that the nominee holding the Series 2002A 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 2002A 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 2002A 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 2002A 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 2002A 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 detail information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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. DTC may discontinue providing its services as depository with respect to the Series 2002A 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 2002A Bonds are required to be printed and delivered.

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

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

ATTACHMENT 2

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), MTA and the Trustee will enter into a written agreement (the “Disclosure Agreement”) for the benefit of holders of the Series 2002A Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to MTA by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2002 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with each Nationally Recognized Municipal Securities Information Repository (the “NRMSIRs”) and with the state information depository for the State, if and to the extent it shall have been established and shall be in existence and operating as a state information depository within the meaning of Rule 15c2-12 (the “State Depository”). Notices of material events will be filed by or on behalf of MTA with NRMSIRs or the Municipal Securities Rulemaking Board (the “MSRB”) and with the State Depository. The nature of the information to be provided in the MTA Annual Information and the State Annual Information and the notices of material events is set forth below.

The Comptroller of the State is required by existing law to issue audited annual financial statements of the State 120 days after the close of the State fiscal year, and MTA will also undertake to provide the State’s audited annual financial statements, by no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2003; provided that if audited financial statements are not then available from the State, unaudited financial statements shall be so provided and audited financial statements will be provided if and when available. Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2002A Bonds to provide or cause to be provided either directly or through the Trustee, audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2002, when and if such audited financial statements become available and, if such audited financial statements of MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of the Transit Authority or MTA for such fiscal year. MTA’s and the State’s annual financial statements will be filed by or on behalf of such parties with each NRMSIR and the State Depository.

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

1. a description of the transit and commuter systems operated by the MTA and its affiliates and subsidiaries and their operations,
2. information regarding the transit and commuter capital programs, including information of the type included in **Appendix A** under the caption 2002-2003 FINANCIAL PLAN AND 2000-2004 CAPITAL PROGRAMS,
3. a presentation of changes to indebtedness issued by MTA under the DTF Resolution, as well as information concerning changes to MTA’s debt service requirements on such indebtedness payable from DTF Revenues,
4. financial information and operating data of the type included in **Appendix A** under the caption THE MTA DEDICATED TAX FUND REVENUES which shall include information relating to the following:
 - a description of how the State allocates taxes to the MTA Dedicated Tax Fund;
 - a description of the material taxes allocated to the MTA Dedicated Tax Fund, currently the petroleum business tax, the motor fuel tax on gasoline and diesel fuel, certain motor vehicle fees, including both registration and non-registration fees, the District Sales Tax, the Franchise Taxes, and the Temporary Franchise Surcharge, together with a description of the tax rate, the tax base and the composition and collection of such taxes by the State (unless the taxes constituting the

sources of revenue have been materially changed or modified, in which case similar information about such new or modified taxes will be provided); and

- for the material taxes then constituting a source of revenue for the MTA Dedicated Tax Fund, an historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available;
5. information concerning the amounts, sources, material changes in and material factors affecting DTF Revenues and debt service incurred under the DTF Resolution,
 6. material litigation related to any of the foregoing, and
 7. such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, MTA.

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

MTA will undertake, for the benefit of holders of the Series 2002A Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption CONTINUING DISCLOSURE in this Official Statement with respect to the Series 2002A Bonds, if material, and
2. to each NRMSIR or to the MSRB, and to the State Depository, in a timely manner, notice of a failure to provide any MTA Annual Information required by such undertaking or any required audited financial statements of MTA.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2002A Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2002A Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the undertaking is an action to compel specific performance, and no person or entity, including any holder of Series 2002A Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2002A Bonds at the time Outstanding which are affected thereby. MTA and the Trustee reserve the right, but shall not be obligated to, enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the DTF

Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the DTF Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2002A Bonds have been paid in full or legally defeased pursuant to the DTF Resolution or the date the undertaking is no longer required by law. The Disclosure Agreement also provides that the obligation of the MTA to provide the State's audited financial statements thereunder may be terminated if, due to a change in circumstances or a change in law, regulation or official interpretation thereof, the State is not an "obligated person" as defined in Rule 15c2-12. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2002A Bonds in definitive form, Hawkins, Delafield & Wood, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$1,246,870,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Bonds, Series 2002A (the "Series 2002A Bonds").

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

The Series 2002A Bonds are issued under and pursuant to the Constitution and statutes of the State of New York (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 "Dedicated Tax Fund Obligation Resolution", as supplemented by a resolution of said members adopted on June 26, 2002 (collectively, the "Resolution").

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

A portion of the proceeds of the Series 2002A Bonds is being used to refund certain of the outstanding bonds of MTA issued pursuant to the Dedicated Tax Fund Bond Resolution, adopted by the MTA on July 31, 1996, as supplemented (the "Prior Resolution"), such bonds having been issued in multiple series and as described in the hereinafter defined Escrow Agreement as being refunded with proceeds of the Series 2002A Bonds (collectively, the "Refunded Bonds"). A portion of the proceeds of the Series 2002A Bonds together with any other amounts made available by MTA (collectively, the "Defeasance Deposit") has been used to purchase direct obligations of the United States of America in an aggregate amount sufficient, together with any amounts held uninvested, to pay when due the principal or applicable redemption price of and interest due and to become due on said Refunded Bonds (the "Defeasance Requirement"). Such Defeasance Deposit is being held in trust under an escrow agreement, dated August 15, 2002 (the "Escrow Agreement"), by and between MTA and The Bank of New York, as escrow agent thereunder and as successor trustee under the Prior Resolution (the "Prior Trustee"). MTA has given the Prior Trustee, in form satisfactory to it, irrevocable instructions to give notice in accordance with the Prior Resolution of the redemption of those Refunded Bonds being redeemed prior to maturity and the deposit of the Defeasance Deposit. Bond Logistix LLC has prepared a report stating that it has reviewed the accuracy of the mathematical computations of the adequacy of the Defeasance Deposit, as invested, to pay in full the Defeasance Requirement when due. We have undertaken no independent verification of the adequacy of the Defeasance Deposit.

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 2002A Bonds in order that interest on the Series 2002A 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 2002A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2002A 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 2002A Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2002A 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 2002A 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 the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2002A Bonds from gross income for federal income tax purposes under Section 103 of the Code and compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2002A Bonds as executed and, in our opinion, the form of said Series 2002A 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, including the prior pledge of any Prior Lien Obligations which remain outstanding.
3. The Series 2002A 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 2002A 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 2002A Bonds.
4. The MTA, the holders of the Series 2002A 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 2002A 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 2002A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2002A 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 2002A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

8. The Escrow Agreement has been duly authorized, executed and delivered by MTA, and, assuming the due authorization, execution and delivery of by the Prior Trustee, the Escrow Agreement is a valid and binding obligation of MTA, enforceable in accordance with its terms. The Refunded Bonds have been paid within the meaning and with the effect expressed in the Prior Resolution, and the covenants, agreements and other obligations of MTA to the holders of the Refunded Bonds have been discharged and satisfied.

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 2002A 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 exclusion from gross income for federal income tax purposes of interest on the Series 2002A 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 2002A 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

SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION

The following sections contain definitions of certain terms used in this official statement when describing the DTF Resolution and a general summary (Summary) of certain provisions of the DTF Resolution. (**Attachment 5** contains a summary of certain other provisions of the DTF Resolution). The definitions and Summary are not to be considered a full statement of all terms used in this official statement or the terms of the DTF Resolution and, accordingly, are qualified by reference to and are subject to the full text of the official statement and the DTF Resolution. A copy of the DTF Resolution may be obtained upon request from MTA. In the following Summary, the MTA is referred to as the “Issuer” and the DTF Resolution is referred to as the “Resolution”.

Definitions

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

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

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

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

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

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

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

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

Issuer shall mean the MTA.

MMTOA Account shall mean the Metropolitan Mass Transportation Operating Assistance Account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, as amended.

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

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

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

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

MTTF shall mean the Dedicated Mass Transportation Trust Fund.

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

MTTF Receipts shall mean all amounts deposited into the MTA Dedicated Tax Fund from amounts on deposit in the Dedicated Mass Transportation Trust Fund pursuant to subdivision (d) of Section 301-j of the Tax Law, as amended, Section 312(b) of the Tax Law, as amended, and any other provision of law directing or permitting the deposit of money on deposit in the Dedicated Mass Transportation Trust Fund into the MTA Dedicated Tax Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) the proceeds of the sale of the Obligations,
- (ii) the Pledged Amounts Account in the MTA Dedicated Tax Fund, any money on deposit therein and any money received and held by the Issuer which is required to be deposited therein, and
- (iii) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; provided, however, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

(Section 102)

Standard Resolution Provisions

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

(Section 101)

Authorization of the Obligations

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

(Section 201)

General Provisions for Issuance of Obligations

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

(Section 202)

Special Provisions for Capital Cost Obligations

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

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

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

2. A certificate of an Authorized Officer

(A) setting forth for any 12 consecutive calendar months ended not more than 6 months prior to the date of such certificate: (i) MTTF Receipts, (ii) MMTOA Receipts, and (iii) investment income received during such period on amounts on deposit in the Pledged Amounts Account, the MTTF Receipts Subaccount, the MMTOA Receipts Subaccount and the Debt Service Fund, and

(B) setting forth the greatest amount for the then current or any future Debt Service Year of the sum of (a) Calculated Debt Service on all Outstanding Obligations, including the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations for purposes of clause (ii) of paragraph (5) of the second paragraph of the section of the Resolution summarized under the caption “Special

Provisions for Refunding Obligations” but excluding any Obligations or Parity Debt to be refunded with the proceeds of such Refunding Obligations, plus (b) additional amounts, if any, payable with respect to Parity Debt or Prior Lien Obligations; and

- (C) stating (x) that the sum of the MTTF Receipts and investment income (other than investment income on the MMTOA Receipts Subaccount) set forth in clause (A) hereof is not less than 1.35 times the amount set forth in accordance with clause (B) hereof and (y) that the sum of the MTTF Receipts, MMTOA Receipts, and investment income set forth in clause (A) hereof is not less than 2.5 times the amount set forth in clause (B) hereof;

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

(Section 203)

Special Provisions for Refunding Obligations

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

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

(1) If the Obligations or Parity Debt to be refunded are to be redeemed, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice of redemption of all the Obligations or Parity Debt so to be refunded on a redemption date specified in such instructions;

(2) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the Resolution, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice in the manner provided in the Resolution with respect to the payment of the said Obligations or Parity Debt;

(3) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the Resolution, (i) money and/or (ii) Defeasance Securities as shall be necessary to comply with the provisions of the Resolution or defeasance securities as shall be necessary with respect to Parity Debt, which Defeasance Securities (or defeasance securities) and money shall be held in trust and used only as provided in the Resolution;

(4) If the proceeds of such Series of Refunding Obligations are to be utilized by the Issuer to purchase (in connection with a tender for or redemption of Obligations or Parity Debt, or otherwise) Obligations or Parity Debt to be delivered to the Trustee in satisfaction of a Sinking Fund Installment in

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

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

(Section 204)

Obligations to Refund Pre-existing Indebtedness

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

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

(Section 205)

Redemption at Demand of the State or the City

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

(Section 401)

The Pledge Effected by the Resolution

There are pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, the Obligations and, on a parity basis, Parity Debt, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for

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

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

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

Subject to the provisions of the first paragraph of this caption, the Trust Estate and the MTTF Receipts and MMTOA Receipts are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken.

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

(Section 501)

Establishment of Funds, Accounts and Subaccounts

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

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

the Debt Service Fund consisting of

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

Amounts held at any time by the Issuer or the Trustee in any of the Funds or Accounts established pursuant to this Section shall be held in trust separate and apart from all other funds. Subaccounts may be established by the Issuer in its discretion within the Accounts established pursuant to this Section upon the written direction of an

Authorized Officer or by Supplemental Resolution. Additional funds, accounts or subaccounts may be created for other purposes upon the written direction of an Authorized Officer.

(Section 502)

Proceeds Fund and Application Thereof

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

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

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

(Section 503)

MTA Dedicated Tax Fund; Application Thereof

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

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

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

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

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

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

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

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

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

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

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

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

(Section 504)

Debt Service Fund

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

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

If on any date the sum of the amounts on deposit in the MTTF Receipts DS Account and the MMTOA Receipts DS Account exceeds the MTTF Debt Service Account Requirement calculated as of such date, the Trustee shall, unless directed by the Issuer not to make such application or transfer, first apply any or all of such excess to cure or reduce any deficiency then existing in any Fund or Account under the Resolution and then transfer any and all of the remaining amount of such excess on deposit in the MMTOA Receipts DS Account to the Issuer for deposit, in the discretion of the Issuer, into the Operating and Capital Costs Account or as otherwise required or permitted by law free and clear of any lien, pledge and claim under the Resolution.

In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon the direction of the Issuer, (a) withdraw from the

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

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

(Section 505)

Subordinated Indebtedness; Subordinated Contract Obligations

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

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

(Section 506)

Compliance with Laws Relating to Appropriation and Related Matters

The Issuer covenants and agrees to take all actions on its part and to comply with all laws required for the Issuer to receive any amounts appropriated to the MTA Dedicated Tax Fund including subdivision 3 of Section 89-c of the State Finance Law. The Issuer further covenants to request the transfer into the MTA Dedicated Tax Fund of

amounts on deposit in the MMTOA Account when needed to pay Debt Service or to set aside amounts for the payment of Debt Service.

(Section 602)

Agreement of the State; No Bankruptcy

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

(Section 603)

Events of Default

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

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

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

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

(4) The pledge created in the section of the Resolution summarized under the caption “The Pledge Effected by the Resolution” shall, at any time and for any reason, cease to be in full force and effect or a Final Judgment shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the benefit of the Owners of the Obligations and Parity Debt, subject to the rights of no other parties (other than holders of Prior Lien Obligations, Obligation Anticipation Notes and, to the extent provided in the section of the Resolution summarized under the caption “Subordinated Indebtedness and Subordinated Contract Obligations”, Subordinated Indebtedness and Subordinated Contract Obligations.

(Section 701)

Powers of Trustee

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

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

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

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

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

(Section 702)

Priority of Payments After Default

In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Obligations and for payments then due with respect to Parity Debt, such funds (excluding funds held for the payment or redemption of particular Obligations which have theretofore

become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Obligation Anticipation Notes) and any other money received or collected by the Fiduciaries, or the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the amounts to be received under the Resolution or otherwise to protect the interest of the Owners of the Obligations, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

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

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

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

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

(Section 703)

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ATTACHMENT 5

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE STANDARD RESOLUTION PROVISIONS

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

Definitions

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

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

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

(7) (A) general obligation bonds and notes of any state other than the State, provided that such bonds and notes are rated in the highest Rating Category of each of the Rating Agencies that then rates such bonds and notes, and (B) bonds and notes of any county, town, city, village, fire district or school district of the State, provided that such bonds and notes are rated in either of the 2 highest Rating Categories of each of the Rating Agencies that then rates such bonds and notes;

(8) mutual funds registered with the United States Securities and Exchange Commission, whose investments are limited to obligations of the State described in clause (i) above, obligations the principal and interest of which are guaranteed by the State as described in clause (ii) above, and those securities described in clause (vii) above, and that are rated in the highest Rating Category of each of the Rating Agencies that then rates such funds;

(9) repurchase agreements with any dealer or bank, which agreement is secured by any one or more of the securities described in clauses (i), (ii) or (vi) above, which securities shall (A) at all times have a market value of not less than the full amount held or invested pursuant to the agreement and (B) be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian, that is independent from the dealer or bank with whom the repurchase agreement is executed; and

(10) any other investment in which the Issuer is authorized from time to time to invest under applicable law with respect to which an Authorized Officer has, on or before the date thereof, delivered to the Trustee (A) a certificate to the Trustee designating the additional investment as an Authorized Investment and (B) Rating Confirmation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance Security shall mean

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

which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Any Obligations canceled at or prior to such date;
- (2) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;
- (3) Obligations in lieu of or in substitution for which other Obligations shall have been delivered;
- (4) Obligations deemed to have been paid;
- (5) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the Purchase Price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution; and
- (6) For the purpose of any consent to be given or other action to be taken by or upon the direction of Owners of a specified portion of Obligations Outstanding, Obligations owned or held by or for the account of the Issuer or any Related Entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State shall mean the State of New York.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Section A-101)

Resolution to Constitute Contract

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

(Section A-104)

Certain Provisions for Issuance of Obligations

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

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

(Section A-201)

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

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

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

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

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

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

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

An Authorized Officer can, pursuant to a certificate filed with the Trustee, designate any other contract, agreement or obligation as Parity Debt.

(Section A-202)

Obligation Anticipation Notes

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

(Section A-203)

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

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

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

(Section A-402)

Investment of Funds

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

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

(Section A-501)

Satisfaction of Sinking Fund Installments

Any amount accumulated in the Debt Service Fund in respect of and up to the unsatisfied balance of each Sinking Fund Installment shall be applied by the Trustee to either (a) or (b) below as directed by the Issuer (together with amounts accumulated in the Debt Service Fund with respect to interest on the Series of Obligations for which

such Sinking Fund Installment was established) if so directed by an Authorized Officer prior to the 45th day preceding the due date of such Sinking Fund Installment as follows:

- (a) to the purchase of Obligations for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Obligations plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Issuer shall direct; or
- (b) to the redemption of Obligations for which such Sinking Fund Installment was established, if then redeemable by their terms at the prices referred to in clause (a) above.

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

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

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

(Section A-502)

Trustee; Appointment; Resignation or Removal and Appointment of Successor

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

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

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

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

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

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

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

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

(Section A-703, A-713)

Supplemental Resolutions Effective Upon Filing With the Trustee

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

- (1) To authorize Obligations of a Series and, in connection therewith, (a) specify and determine the matters and things referred to in the provisions of the Resolution authorizing issuance of Obligations, and also any other matters and things relative to such Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect, (b) in the case of Variable Interest Rate Obligations or Put Obligations, as applicable, set forth provisions specifying the manner in which interest on Variable Interest Rate Obligations or Put Obligations, as applicable, is to be calculated for the purposes of various definitions and provisions of the Resolution, provisions providing for changes in interest rates, interest rate periods or interest payment dates for any Variable Interest Rate Obligation of a Series or Put Obligations, as applicable, provisions regarding an Owner's right or obligation to tender Put Obligations for redemption or purchase in lieu of redemption, and provisions governing the manner in which Variable Interest Rate Obligations or Put Obligations, as applicable, which the Owner thereof has the right to, or has exercised a right to, tender for redemption or purchase in lieu of redemption shall be treated for purposes of various definitions and provisions of the Resolution, (c) set forth provisions governing the administration of any Qualified Swap or Credit Facility, and provisions providing for the issuance of Reimbursement Obligations or the conversion of other Obligations to Reimbursement Obligations (and in connection with such conversion to change the interest rates, sinking fund provisions or maturity date on such Obligations) to secure or reimburse the provider of such Credit Facility, (d) in the case of either Taxable Obligations or Tax-Exempt Obligations, set forth defeasance provisions with respect thereto (including the manner of attaining such defeasance and the effect thereof), and (e) make such additional changes in the Resolution, not materially adverse to the rights of the Owners of the Obligations previously issued, as are necessary or appropriate; or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Obligations;
- (2) To (a) establish for any one or more Series of Obligations a separate debt service reserve fund which shall be permitted to be applied solely to the payment of specified Obligations, provided that (i) the specified Obligations shall have no claim or lien on nor be payable from any amounts in any other such debt service reserve fund, (ii) the specified Obligations shall be excluded from the calculation of any applicable debt service reserve fund requirement for any other Outstanding Obligations, and (iii) the amount required to be on deposit in such debt service reserve funds shall be specified in the Supplemental Resolutions authorizing the specified Obligations, but in no event shall such amount, after giving effect to any surety bond, insurance policy, letter of credit or similar obligation deposited in any such separate debt service reserve fund pursuant to the Resolution, be in excess of the amount that would otherwise be the debt service

reserve fund requirement for such specified Obligations assuming that such Obligations were the only Obligations Outstanding under the Resolution; and (b) make such other amendments, changes or modifications to the Resolution as may be deemed necessary or desirable by the Issuer to insure that such debt service reserve funds function in the manner contemplated in this subsection;

- (3) To authorize Parity Debt and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things referred to in that section of the Resolution summarized under the caption “Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt,” and also any other matters and things relative to such Parity Debt which are not contrary to or inconsistent with the Resolution as then in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance or entering into of such Parity Debt, and at any time to rescind or limit any authorization for any such Parity Debt theretofore authorized but not issued or entered into; in connection with the authorization of Parity Swap Obligations and Parity Reimbursement Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of the Funds, Accounts and subaccounts established pursuant to the Resolution for the benefit of such Parity Swap Obligations and Parity Reimbursement Obligations; and shall grant to the Owners of such Parity Debt the same rights granted to Owners of Obligations in the section of the Resolution summarized under the caption “Supplemental Resolutions Effective With Consent of Owners of Obligations” and in the Resolution relating to amendments to the Resolution;
- (4) To authorize Subordinated Indebtedness or Subordinated Contract Obligations and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness or Subordinated Contract Obligations which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness or Subordinated Contract Obligations theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness or Subordinated Contract Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness or Subordinated Contract Obligations and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness or Subordinated Contract Obligations;
- (5) To add to the Resolution any provisions required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on Tax-Exempt Obligations then Outstanding or to be issued or the exemption of interest received on any Obligations from State income taxation;
- (6) To modify, amend or supplement the Resolution in any manner, not already provided for in or pursuant to the Supplemental Resolution authorizing the related Series of Obligations in order to provide for a Credit Facility, Qualified Swap, or other similar arrangement with respect to any Series of Obligations, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Owners of Outstanding Obligations;
- (7) To modify, amend or supplement the Resolution in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Issuer so determines, to add thereto such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939 or similar Federal statute;
- (8) To amend or modify any Supplemental Resolution authorizing Obligations of a Series to reflect the substitution of a new Credit Facility for the Credit Facility then in effect;
- (9) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

- (10) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect, including, in the event the Issuer Act is amended or other legislation is enacted to so provide, the substitution of an alternate or different legal name for the current name of the Issuer or any other Related Entity in the Resolution or the form of Obligations; or
- (11) With Rating Confirmation, to make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Owners of Outstanding Obligations.

(Section A-801)

Supplemental Resolutions Effective With Consent of Owners of Obligations

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

(Section A-802)

Amendments

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Owners, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Owners of a majority in principal amount of the Obligations Outstanding at the time such consent is given, and (ii) in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under this caption. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, (b) reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, (c) create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Owners of all such Obligations, (d) create a lien prior to or on parity with the lien of the Resolution securing Obligations, without the consent of the Owners of all of the Obligations then Outstanding, or (e) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of the provision summarized in this caption, an Obligation shall be deemed to be affected by a modification or amendment of the Resolution if the same materially and adversely affects the rights of the Owner of such Obligation. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment particular Obligations would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Issuer and all Owners of Obligations. The Trustee may request and receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether particular Obligations would be so affected by any such modification or amendment of the Resolution and the Trustee shall have no duty or obligation to take any action under the Resolution unless and until it has received such opinion. *Notwithstanding anything in the Resolution to the contrary, the consent of Owners of any Series of additional Obligations to be issued thereunder shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Obligations is offered and sold.*

(Section A-902)

Consent of Owners of Obligations

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

(Section A-903)

Defeasance

If the Issuer shall pay or cause to be paid to the Owners of all Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Issuer to the Owners of Obligations shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Issuer, execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Issuer all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption.

Outstanding Obligations or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Outstanding Obligations or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to

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

Any money held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remains unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, has become due and payable, either at stated maturity dates or by call for earlier redemption, if such money was held by the Fiduciary at such date, or for 2 years after the date of deposit of such money if deposited with the Fiduciary after the date when such principal, Redemption Price, or interest, respectively, became due and payable, shall, at the written request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Issuer for the payment of such principal, Redemption Price, or interest, respectively. Any money held by a Fiduciary in trust for the payment and discharge of any Obligations which remains unclaimed after such money was to be applied to the payment of such Obligations in accordance with the Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Issuer or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Issuer or to apply such money in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Issuer, cause to be mailed to the Owners entitled to receive such money a notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such money then unclaimed will be returned to the Issuer or applied in accordance with the Abandoned Property Law of the State, as the case may be.

(Section A-1101)

General Regulations as to Money and Funds

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

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

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

(Section A-1104)

ATTACHMENT 6
SERIES 2002A BONDS
INFORMATION RELATING TO THE REFUNDED BONDS

* Bonds indicated by an asterisk are sinking fund payments.

** Refunded Bonds indicated by a double asterisk are callable bonds escrowed to maturity which MTA has retained its right to redeem prior to maturity.

T Bonds indicated by a T are maturities of term bonds.

<u>Series</u>	<u>CUSIP</u> †	<u>Maturity Date</u>	<u>Coupon</u>	<u>Refunded Principal Amount</u>		<u>Redemption Date</u>	<u>Redemption Price</u>
1996A	59259NAG8	4/1/03	4.600%	\$ 8,530,000		Maturity	N/A
1996A	59259NAH6	4/1/04	4.700%	8,920,000		Maturity	N/A
1996A	59259NAJ2	4/1/05	6.000%	9,340,000		Maturity	N/A
1996A	59259NAK9	4/1/06	6.000%	9,905,000		Maturity	N/A
1996A	59259NAL7	4/1/07	5.000%	10,495,000		Maturity	N/A
1996A	59259NAM5	4/1/08	5.100%	11,025,000		Maturity **	N/A
1996A	59259NAN3	4/1/09	5.250%	11,580,000		Maturity **	N/A
1996A	59259NAP8	4/1/10	5.300%	12,195,000		Maturity **	N/A
1996A	59259NAT0	4/1/11	6.250%	12,835,000		Maturity	N/A
1996A	59259NAU7	4/1/12	6.250%	13,640,000		Maturity	N/A
1996A	59259NAV5	4/1/13	6.250%	14,495,000		Maturity	N/A
1996A	59259NAW3	4/1/14	6.250%	15,400,000		Maturity	N/A
1996A	59259NAX1	4/1/15	5.500%	16,360,000		10/1/2010	100.00%
1996A	59259NAQ6	4/1/16	5.500%	17,260,000		10/1/2010	100.00%
1996A		4/1/17	6.000%	18,210,000	*	Maturity	N/A
1996A		4/1/18	6.000%	19,305,000	*	Maturity	N/A
1996A		4/1/19	6.000%	20,460,000	*	Maturity	N/A
1996A	59259NAY9	4/1/20	6.000%	21,690,000	T	Maturity	N/A
1996A	59259NAR4	4/1/21	5.250%	22,990,000	T	10/1/2010	100.00%
1996A		4/1/22	5.250%	24,195,000	*	10/1/2010	100.00%
1996A		4/1/23	5.250%	25,465,000	*	10/1/2010	100.00%
1996A		4/1/24	5.250%	26,805,000	*	10/1/2010	100.00%
1996A		4/1/25	5.250%	28,215,000	*	10/1/2010	100.00%
1996A	59259NAS2	4/1/26	5.250%	<u>29,695,000</u>	T	10/1/2010	100.00%
				<u>\$ 409,010,000</u>			
1998A	59259NBD4	4/1/03	5.000%	\$ 7,225,000		Maturity	N/A
1998A	59259NBE2	4/1/04	5.000%	7,585,000		Maturity	N/A
1998A	59259NBF9	4/1/05	5.000%	7,965,000		Maturity	N/A
1998A	59259NBG7	4/1/06	5.250%	8,365,000		Maturity	N/A
1998A	59259NBH5	4/1/07	5.250%	8,800,000		Maturity	N/A
1998A	59259NBJ1	4/1/08	5.250%	9,265,000		Maturity	N/A
1998A	59259NBK8	4/1/09	5.000%	9,750,000		Maturity **	N/A
1998A	59259NBL6	4/1/10	5.000%	10,235,000		Maturity **	N/A

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ATTACHMENT 6
SERIES 2002A BONDS
INFORMATION RELATING TO THE REFUNDED BONDS

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<u>Series</u>	<u>CUSIP</u> †	<u>Maturity Date</u>	<u>Coupon</u>	<u>Refunded Principal Amount</u>		<u>Redemption Date</u>	<u>Redemption Price</u>
1998A	59259NBM4	4/1/11	5.250%	\$ 10,750,000		Maturity	** N/A
1998A	59259NBN2	4/1/12	5.250%	11,315,000		Maturity	** N/A
1998A	59259NBP7	4/1/13	5.250%	11,910,000		Maturity	** N/A
1998A	59259NBQ5	4/1/14	5.250%	12,535,000		Maturity	** N/A
1998A	59259NBR3	4/1/15	5.500%	13,190,000		Maturity	N/A
1998A	59259NBS1	4/1/16	5.500%	13,915,000		Maturity	N/A
1998A		4/1/17	4.500%	14,680,000	*	10/1/2015	100.00%
1998A	59259NBT9	4/1/18	4.500%	15,340,000	T	10/1/2015	100.00%
1998A		4/1/19	5.000%	16,035,000	*	10/1/2015	100.00%
1998A		4/1/20	5.000%	16,835,000	*	10/1/2015	100.00%
1998A		4/1/21	5.000%	17,675,000	*	10/1/2015	100.00%
1998A		4/1/22	5.000%	18,560,000	*	10/1/2015	100.00%
1998A	59259NBU6	4/1/23	5.000%	19,490,000	T	10/1/2015	100.00%
1998A		4/1/24	4.750%	20,460,000	*	10/1/2015	100.00%
1998A		4/1/25	4.750%	21,435,000	*	10/1/2015	100.00%
1998A		4/1/26	4.750%	22,450,000	*	10/1/2015	100.00%
1998A		4/1/27	4.750%	23,520,000	*	10/1/2015	100.00%
1998A	59259NBV4	4/1/28	4.750%	<u>24,635,000</u>	T	10/1/2015	100.00%
				<u>\$ 373,920,000</u>			
1999A	59259NCH4	4/1/03	4.000%	\$ 6,805,000		Maturity	N/A
1999A	59259NCJ0	4/1/04	4.000%	7,075,000		Maturity	N/A
1999A	59259NCK7	4/1/05	4.100%	7,360,000		Maturity	N/A
1999A	59259NCL5	4/1/06	4.250%	7,660,000		Maturity	N/A
1999A	59259NCN1	4/1/07	5.000%	5,705,000		Maturity	N/A
1999A	59259NCM3	4/1/07	4.300%	2,280,000		Maturity	N/A
1999A	59259NCQ4	4/1/08	5.000%	6,305,000		Maturity	N/A
1999A	59259NCP6	4/1/08	4.400%	2,065,000		Maturity	N/A
1999A	59259NCS0	4/1/09	5.000%	5,175,000		Maturity	N/A
1999A	59259NCR2	4/1/09	4.500%	3,600,000		Maturity	N/A
1999A	59259NCU5	4/1/10	5.250%	5,400,000		Maturity	** N/A
1999A	59259NCT8	4/1/10	4.600%	3,795,000		Maturity	** N/A
1999A	59259NCV3	4/1/11	5.250%	9,655,000		Maturity	** N/A
1999A	59259NCX9	4/1/12	5.250%	8,325,000		Maturity	** N/A

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ATTACHMENT 6
SERIES 2002A BONDS
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<u>Series</u>	<u>CUSIP</u> †	<u>Maturity Date</u>	<u>Coupon</u>	<u>Refunded Principal Amount</u>		<u>Redemption Date</u>	<u>Redemption Price</u>
1999A	59259NCW1	4/1/12	4.800%	\$ 1,835,000		Maturity **	N/A
1999A	59259NCY7	4/1/13	5.250%	10,685,000		Maturity **	N/A
1999A	59259NCZ4	4/1/14	5.250%	11,250,000		Maturity **	N/A
1999A	59259NDB6	4/1/15	5.250%	8,380,000		10/1/2014	100.00%
1999A	59259NDA8	4/1/15	5.000%	3,460,000		10/1/2014	100.00%
1999A	59259NDD2	4/1/16	5.250%	9,390,000		10/1/2014	100.00%
1999A	59259NDC4	4/1/16	5.000%	3,060,000		10/1/2014	100.00%
1999A	59259NDE0	4/1/17	5.000%	13,100,000		10/1/2014	100.00%
1999A	59259NDF7	4/1/18	5.125%	13,750,000		10/1/2014	100.00%
1999A	59259NDG5	4/1/19	5.125%	14,455,000		10/1/2014	100.00%
1999A		4/1/20	5.250%	15,200,000	*	10/1/2014	100.00%
1999A		4/1/21	5.250%	15,995,000	*	10/1/2014	100.00%
1999A		4/1/22	5.250%	16,835,000	*	10/1/2014	100.00%
1999A	59259NDH3	4/1/23	5.250%	17,720,000	T	10/1/2014	100.00%
1999A		4/1/24	5.000%	18,650,000	*	10/1/2014	100.00%
1999A		4/1/25	5.000%	19,585,000	*	10/1/2014	100.00%
1999A		4/1/26	5.000%	20,560,000	*	10/1/2014	100.00%
1999A		4/1/27	5.000%	21,590,000	*	10/1/2014	100.00%
1999A		4/1/28	5.000%	22,670,000	*	10/1/2014	100.00%
1999A	59259NDJ9	4/1/29	5.000%	<u>23,805,000</u>	T	10/1/2014	100.00%
				<u>\$ 363,180,000</u>			

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ATTACHMENT 7
FORM OF SPECIMEN MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, 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 Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of 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" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "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 Financial Security 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.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security) to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



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