



\$446,110,000
Metropolitan Transportation Authority
Transportation Revenue Refunding Bonds, Series 2002F

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2002F Bonds are being issued to provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects.

The Series 2002F Bonds -

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

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

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

The Series 2002F Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through DTC’s facilities, on or about November 20, 2002.

Payment of the principal of and interest on certain maturities of the Series 2002F Bonds, as set forth on the inside cover, when due, will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2002F Bonds.



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 2002F 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.

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.	First Albany Corporation	JPMorgan	Lehman Brothers
Morgan Stanley	Salomon Smith Barney		UBS PaineWebber Inc.
ABN AMRO Financial Services, Inc.	Advest, Inc./Lebenthal & Co.		CIBC World Markets
Commerce Capital Markets	Fahnestock & Co., Inc.		Jackson Securities
Quick & Reilly, Inc.	Ramirez & Co., Inc.	Raymond James & Associates, Inc.	RBC Dain Rauscher Inc.
Roosevelt & Cross, Inc.	Siebert Brandford Shank & Co., LLC	Wachovia Bank, National Association	

\$446,110,000
Metropolitan Transportation Authority
Transportation Revenue Refunding Bonds, Series 2002F

\$198,725,000 Serial Bonds

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2003	\$15,900,000	3.000%	1.324%	59259RKQ6
2004	9,895,000	5.000	1.810	59259RKR4
2004	6,050,000	2.500	1.810	59259RKS2
2005	11,600,000	5.000	2.090	59259RKT0
2005	1,305,000	4.000	2.090	59259RKU7
2005	3,725,000	2.500	2.090	59259RKV5
2006	15,555,000	5.000	2.420	59259RKW3
2006	1,800,000	3.000	2.420	59259RKX1
2007	8,465,000†	4.000	2.650	59259RKY9
2007	8,000,000	4.000	2.750	59259RKZ6
2007	1,720,000	3.000	2.750	59259RLA0
2008	9,515,000†	5.000	2.940	59259RLB8
2008	9,335,000†	3.000	2.940	59259RLC6
2009	13,610,000†	5.000	3.140	59259RLD4
2009	6,040,000†	3.150	3.140	59259RLE2
2010	14,115,000†	5.000	3.390	59259RLF9
2010	2,350,000†	4.000	3.390	59259RLG7
2010	4,055,000†	3.400	3.390	59259RLH5
2011	17,615,000†	5.000	3.520	59259RLJ1
2011	3,845,000†	3.500	3.520	59259RLK8
2012	8,000,000†	5.000	3.620	59259RLL6
2012	1,075,000†	4.000	3.620	59259RLM4
2012	2,740,000†	3.600	3.620	59259RLN2
2012	10,615,000†	5.500	3.620	59259RLP7
2013	11,800,000†	4.000	3.770**	59259RLQ5

\$247,385,000 Term Bonds

\$60,890,000†** 5.250% Series 2002F Term Bonds Due November 15, 2027 Priced to Yield 4.700% CUSIP Number* 59259RLR3
 \$186,495,000†** 5.000% Series 2002F Term Bonds Due November 15, 2031 Priced to Yield 4.900% CUSIP Number* 59259RLS1

The Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2002F 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 organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2002F 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 2002F Bonds or as indicated above.

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

† Insured by MBIA Insurance Corporation (the Insured Bonds).

Metropolitan Transportation Authority

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

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

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

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 2002F Bonds. The information in this official statement, including the materials filed with the repositories and included by specific reference as described herein, provides a more detailed description of matters relating to MTA and to MTA's Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.		
Bonds Being Offered	Transportation Revenue Refunding Bonds, Series 2002F.		
Purpose of Issue	To provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects. <i>See</i> REFUNDING PLAN AND APPLICATION OF PROCEEDS.		
Maturities and Rates	See inside cover.		
Denominations	\$5,000 and integral multiples of \$5,000.		
Interest Payment Dates.....	May 15 and November 15, commencing May 15, 2003.		
Redemption.....	<i>See</i> DESCRIPTION OF SERIES 2002F BONDS—Redemption Prior to Maturity <i>in Part I</i> .		
Sources of Payment and Security.....	MTA's pledged transportation revenues from transit and commuter system operations, TBTA operating surplus, subsidies from governmental entities and certain other sources, all as described <i>in Part II</i> .		
Credit Enhancement.....	MBIA financial guaranty insurance policy with respect to the Series 2002F Bonds designated as being insured 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	JPMorgan Chase Bank.		
Bond Counsel.....	Hawkins, Delafield & Wood, New York, New York.		
Tax Status	<i>See</i> TAX MATTERS <i>in Part III</i> .		
Expected Ratings	<u>Rating Agency</u>	<u>Uninsured Bonds</u>	<u>Insured Bonds</u>
	Moody's:	A2	Aaa
	Standard & Poor's:	A	AAA
	Fitch:	A	AAA
	<i>See</i> RATINGS <i>in Part III</i> .		
Financial Advisor.....	Goldman, Sachs & Co.		
Underwriters	<i>See</i> cover page. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the representative of the Underwriters for the Series 2002F Bonds.		
Purchase Price/Underwriters' Discount ..	<i>See</i> UNDERWRITING <i>in Part III</i> .		
Counsel to the Underwriters	O'Melveny & Myers 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 2002F Bonds, in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or any other person to give any information or make any representation in connection with the offering of the Series 2002F 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 2002F 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 2002F BONDS – Bond Insurance in Part 1 and in Attachment 4 of this official statement, none of the information in this official statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to
 - the accuracy or completeness of information it has neither supplied nor verified,
 - the validity of the Series 2002F Bonds, or
 - the tax-exempt status of the interest on the Series 2002F 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 2002F Bonds, together with any supplements or amendments thereto:

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

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

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

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INTRODUCTION

MTA, TBTA and Other Related Entities

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

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

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

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

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

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

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

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

Where to Find Information

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

- This **Introduction** provides certain information relating to the restructuring of public debt securities by MTA and its affiliates, TBTA and the Transit Authority.
- **Part I** provides specific information about the Series 2002F Bonds.
- **Part II** describes the sources of payment and security for all MTA Transportation Revenue Bonds, including the Series 2002F Bonds.

- **Part III** provides miscellaneous information relating to the Series 2002F Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry system of registration to be used for the Series 2002F Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2002F Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2002F Bonds.
- **Attachment 4** sets forth the specimen financial guaranty insurance policy relating to the Insured Bonds.
- **Information Included by Specific Reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

Bloomberg Municipal Repository

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

FT Interactive Data

Attn: NRMSIR
100 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 2002F Bonds.**

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

Debt Restructuring Program

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

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

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

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

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

Remaining Portions of the Debt Restructuring. MTA has fully completed its refunding portions of the debt restructuring. Upon the issuance of \$181,025,000 auction rate TBTA Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G (currently expected to be issued on or about November 26, 2002), TBTA will have fully defeased all of their old resolutions and trust agreements being restructured.

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

2003-2004 Financial Plan

MTA had previously adopted a financial plan for the years 2000 through 2004 for itself and the other Related Entities which paralleled the various Capital Programs for the 2000 through 2004 period. In the case of LIRR, MNCRC, the Transit Authority and MaBSTOA, the financial plan had projected significant operating deficits for 2003 and 2004 which MTA anticipated would be closed by a variety of actions taken before or during those years. As a result of the extraordinary circumstances relating to the terrorist attack on the WTC and its aftermath, MTA determined that it was appropriate to limit the scope of its financial plan to the 2002-2003 period (the 2002-2003 Financial Plan). The 2002-2003 Financial Plan reflects a balanced budget for 2002 for MTA and each of the Related Entities, including LIRR, MNCRC, the Transit Authority and MaBSTOA, assuming, among other things, the receipt of an advance payment of approximately \$300 million of MMTOA Receipts included in the enacted budget for the State’s 2002-2003 fiscal year. See SOURCES OF PAYMENT – Pledged Transportation Revenues in Part II. The 2002-2003 Financial Plan also reflects a budget gap currently projected at \$663.3 million for MTA and the Related Entities for 2003. As part of its annual process of preparing budgets, MTA and the other Related Entities are developing information regarding expenses and fare revenues and other receipts for 2003 to serve as the basis for determining the actual size of the 2003 gap which will need to be closed in the adopted budgets as well as proposed measures to close the projected gap. Estimates, both official and unofficial, as to the size of the projected gap and proposals as to the package of gap closing measures to be adopted are expected to be disseminated in the public media from time to time until MTA and the other Related Entities adopt their actual budgets for 2003. The size of the gap included in the estimates of different parties could vary significantly from that currently included in the 2002-2003 Financial Plan. In addition, proposed gap closing measures may also change over time and include differing elements depending on the source of the proposals. MTA and the other Related Entities expect to adopt balanced budgets for 2003 prior to December 31, 2002. It is currently anticipated that in conjunction with the adoption of the 2003 budgets, MTA will adopt a financial plan covering the years 2003 and 2004 and may also

propose amendments to the 2000-2004 Capital Programs for the Related Entities. Such financial plan may continue to show operating gaps for 2004 for Related Entities which could be significant.

Insurance Coverage Effective October 31, 2002

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

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

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

PART I. SERIES 2002F BONDS

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

REFUNDING PLAN AND APPLICATION OF PROCEEDS

Use of Proceeds

The Series 2002F Bonds and the approximately \$400 million aggregate principal amount Transportation Revenue Refunding Bonds, Series 2002G Bonds (the Series 2002G Bonds) are being issued to provide for the payment on January 1, 2003 of \$807,190,000 Triborough Bridge and Tunnel Authority General Revenue Bond Anticipation Notes, Series 2000A (the TBTA BANs) that were issued to finance transit and commuter projects. The Series 2002F Bonds and the Series 2002G Bonds are expected to be issued at or about the same time, but the issuance of the Series 2002F Bonds is not dependent upon the simultaneous issuance of the Series 2002G Bonds.

Escrow of Government Securities

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

DESCRIPTION OF SERIES 2002F BONDS

General

Book-Entry-Only System. The Series 2002F 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 2002F 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 2002F Bonds, all payments on the Series 2002F 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 2002F 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. Interest will be paid on each May 15 and November 15, beginning May 15, 2003. So long as DTC is the sole registered owner of all of the Series 2002F 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 2002F Bonds, it will be the sole registered owner of the Series 2002F Bonds, and transfers of ownership interests in the Series 2002F Bonds will occur through the DTC Book-Entry-Only System.

Trustee. JPMorgan Chase Bank is Trustee and Paying Agent with respect to the Transportation Revenue Bonds.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The term bond shown below is 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 the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof from mandatory Sinking Fund Installments that are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2002F Bonds shown below:

<u>2027 Term Bond</u>		
	Sinking Fund Redemption Date <u>(November 15)</u>	Sinking Fund Installment
first payment	2026	\$19,780,000
final maturity	2027	41,110,000
average life	24.661 years	

<u>2031 Term Bond</u>		
	Sinking Fund Redemption Date <u>(November 15)</u>	Sinking Fund Installment
first payment	2028	\$43,270,000
	2029	45,430,000
	2030	47,705,000
final maturity	2031	50,090,000
average life	27.547 years	

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

- If MTA directs the trustee to purchase term Series 2002F Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due.
- If MTA purchases or redeems term Series 2002F 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 MTA may direct.

Optional Redemption. The Series 2002F Bonds maturing on and after November 15, 2013 are subject to redemption prior to maturity on any date on and 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 the Series 2002F Bonds, prior to maturity, as a whole, on any interest payment date not less than twenty years after the date of issue of the Series 2002F Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2002F Bonds in the case of redemption as a whole on the redemption date. The MTA Act further provides that the City, upon furnishing sufficient funds, may require MTA to redeem the Series 2002F Bonds, as a whole, but only in accordance with the terms upon which the Series 2002F Bonds are otherwise redeemable.

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

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

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

Bond Insurance

The following information has been furnished by MBIA Insurance Corporation (the Insurer) for use in this official statement. Reference is made to **Attachment 4** for a specimen of the financial guaranty insurance policy (the Insurance Policy).

Insurance Policy. The Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of MTA to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Insured Bonds (set forth on the inside cover) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a Preference).

The Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Insured Bond. The Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) and (ii) above. The Insurance Policy also does not insure against nonpayment of principal of or interest on the Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured Bonds or presentment of such other proof of ownership of the Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Insured Bonds in any legal proceeding related to payment of insured amounts on the Insured Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall

disburse to such owners or the Paying Agent payment of the insured amounts due on such Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer. The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the Company). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this official statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurance Policy and the Insurer set forth under this caption "Bond Insurance" and in **Attachment 4**. Additionally, the Insurer makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds.

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

Insurer Information. The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") is incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this official statement and prior to the termination of the offering of the Insured Bonds offered hereby shall be deemed to be incorporated by reference in this official statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this official statement, shall be deemed to be modified or superseded for purposes of this official statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this official statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2002, the Insurer had admitted assets of \$8.7 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$3.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of the Insurer.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured Bonds. The Insurer does not guaranty the market price of the Insured Bonds nor does it guaranty that the ratings on the Insured Bonds will not be revised or withdrawn.

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

Certain Rights of the Insurer

MTA has granted to the Insurer certain rights authorized under Section A-202 of the Transportation Resolution, including the right to be deemed the sole owner of the Series 2002F Bonds whenever the approval, consent or action of the owners is required. *See* Definitions and Summary of Certain Provisions of the Standard Resolution Provisions *included by specific reference herein.*

Debt Service on the Transportation Revenue Bonds

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

Table 1
Aggregate Debt Service
(In Thousands)

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

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

⁽²⁾ Assumes variable interest at the rate of 4% per annum.

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

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

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

SOURCES OF PAYMENT

Pledged Transportation Revenues

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

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

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

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

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

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

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

(1) 2002 budgeted numbers adopted by the MTA Board in December, 2001 exclude WTC-related insurance recoveries.

(2) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.

(3) Calculated by subtracting the debt service payments on the MTA Dedicated Tax Fund Bonds from the MTTF Receipts described in APPENDIX A under the caption MTA DEDICATED TAX FUND REVENUES.

(4) Represents investment income on capital program funds held by MTA for the benefit of the transit and commuter capital programs on an accrual basis. The 2002 budgeted number assumes the application of a significant portion of these funds to the cash defeasance of certain bonds during the debt restructuring.

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

(6) Actuals for the years 1997-2001 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year; assumes debt service on the Old Farebox Bonds before, and the 2002 budgeted number for the new Transportation Revenue Bonds after, the completion of the debt restructuring, which was assumed to occur in July, 2002.

The following should be noted in **Table 2**:

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

Description of Pledged Revenues

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

Revenues from Systems Operations.

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

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

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

Revenues from Governmental Sources.

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

- **Station maintenance and service reimbursements** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the transit system and contributes to support the Transit Authority's paratransit, senior-citizen and school-children programs. Also, MNCRC receives certain payments from the Connecticut Department of Transportation for its share of the operating deficits of the New Haven rail line.

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

Factors Affecting Revenues

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

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

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

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

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

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

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

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

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

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

Information Relating to the State of New York. Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is not a part of this official statement. Such information is on file with each Nationally Recognized Municipal Securities Information Repository with which the State was required to file, and the State has committed to update that information to the holders of its general obligation bonds, in the manner specified in SEC Rule 15c2-12. Prospective purchasers of MTA's

Transportation Revenue Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of MTA's Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

SECURITY

General

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

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

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

Pledge Effected by the Resolution

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

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

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

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

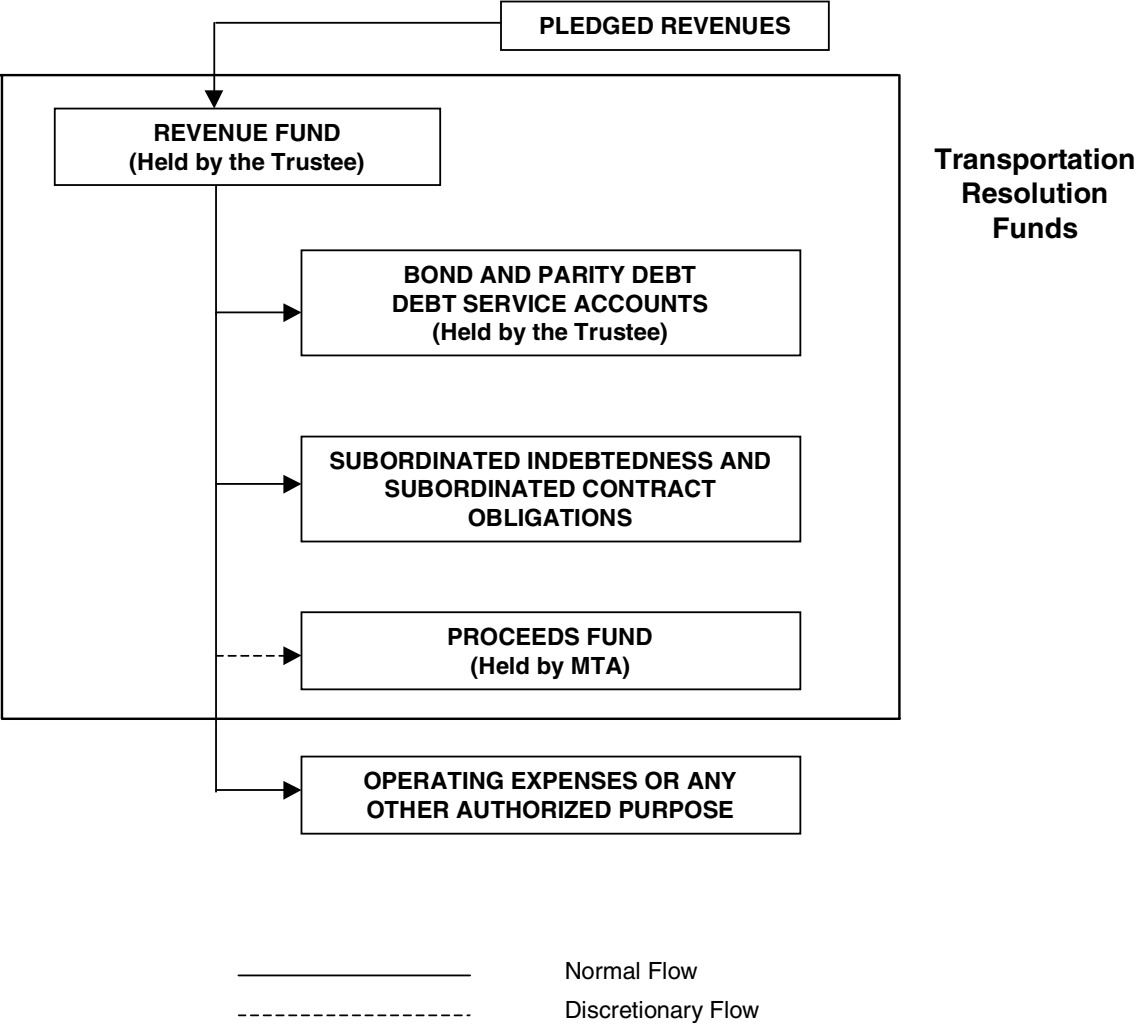
The Transportation Resolution requires the trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

See SOURCES OF PAYMENT - Factors Affecting Revenues.

Operating and Maintenance Covenants.

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

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

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

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

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

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

PART III. OTHER INFORMATION ABOUT THE SERIES 2002F BONDS

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

TAX MATTERS

General

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

The Internal Revenue Code imposes requirements on the Series 2002F Bonds that MTA must continue to meet after the Series 2002F Bonds are issued. These requirements generally involve the way that Series 2002F 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 2002F 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 2002F 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 2002F 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 2002F Bonds or affect the market price of the Series 2002F 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 2002F Bonds, or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2002F Bonds will have "original issue discount" if the price paid by a bondholder is less than the principal amount of these Series 2002F Bonds. Bond Counsel's opinion is that the original issue discount on these Series 2002F 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 2002F Bonds will be increased. Bond Counsel's opinion is also that the original issue discount on these Series 2002F 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 2002F Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2002F Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Series 2002F 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 2002F Bond will be reduced. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2002F Bond with bond premium, even though the Series 2002F Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2002F Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2002F 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 2002F Bonds.

LITIGATION

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the Transit Authority, LIRR, MNCRC and TBTA. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in **Appendix A—THE RELATED ENTITIES—Litigation**, as that filing may be amended or supplemented to date.

FINANCIAL ADVISOR

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

UNDERWRITING

The Underwriters for the Series 2002F Bonds, acting through Merrill Lynch, Pierce, Fenner & Smith Incorporated as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2002F Bonds described on the inside cover of this official statement at an aggregate purchase price of \$461,554,838.99, reflecting a net original issue premium of \$17,890,219.40 and an Underwriters' discount of \$2,445,380.41, and to reoffer such Series 2002F Bonds at the public offering prices or yields set forth on the inside cover.

The Series 2002F Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2002F 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 2002F Bonds if any Series 2002F Bonds are purchased.

RATINGS

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

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

*The expected ratings on the Insured Bonds identified on the **inside cover** reflect the ratings of the Insurer providing credit enhancement for the Series 2002F Bonds.*

LEGAL MATTERS

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

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

ATTACHMENT 1
BOOK-ENTRY ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2002F Bonds. The Series 2002F 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 2002F Bond will be issued for each maturity of the Series 2002F 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 2002F Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

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

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

4. To facilitate subsequent transfers, all Series 2002F 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 2002F 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 2002F Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002F 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 2002F Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002F Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2002F Bond documents. For example, Beneficial Owners of the Series 2002F Bonds may wish to ascertain that the nominee holding the Series 2002F 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 2002F 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 2002F 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 2002F 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 2002F Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2002F 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 2002F 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 2002F 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 2002F Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the Related Transportation Entities (currently, MTA and its subsidiaries LIRR and MNCRC, and the Transit Authority and its subsidiary MaBSTOA) 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 Annual Information and the notices of material events is set forth below.

Pursuant to Rule 15c2-12 MTA will undertake for the benefit of holders of Series 2002F Bonds to provide or cause to be provided either directly or through the Trustee, audited consolidated financial statements of the Transit Authority and the 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 either the Transit Authority or 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. The Transit Authority's and MTA's annual financial statements will be filed by or on behalf of such parties by MTA with each NRMSIR and the State Depository. In the event that such audited financial statements of the Transit Authority cease to be separately published, the obligation of the MTA hereunder to provide such financial statements shall cease.

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

1. a description of the systems operated by the Related Transportation Entities and their operations,
2. a description of changes to the fares or fare structures charged to users of the systems operated by the Related Transportation Entities,
3. operating data of the Related Transportation Entities, including data of the type included in **Appendix A** under the following captions:
 - a. "The Transit System – Description of the Transit System,"
 - b. "The Transit System – Ridership,"
 - c. "The Transit System – Employees, Labor Relations and Pension Obligations,"
 - d. "The Commuter System – Description of the Commuter System,"
 - e. "The Commuter System – Ridership," and
 - f. "The Commuter System – Employees, Labor Relations and Pension Obligations,"
4. information regarding the capital programs of the Related Transportation Entities, including information of the type included in **Appendix A** under the heading 2002-2003 Financial Plan and 2000-2004 Capital Programs,

5. a presentation of the financial results of the Related Transportation Entities prepared in accordance with GAAP for the most recent year for which that information is then currently available (currently, the Transit Authority prepares consolidated financial statements and MTA prepares combined financial statements),
6. a presentation of changes to indebtedness issued by MTA under the Transportation Resolution, as well as information concerning changes to MTA's debt service requirements on such indebtedness payable from pledged revenues,
7. information concerning the amounts, sources, material changes in and material factors affecting pledged revenues and debt service incurred under the Transportation Resolution,
8. financial information of the type included in this Official Statement in Table 2 under the caption SOURCES OF PAYMENT—Pledged Transportation Revenues and included by specific reference in **Appendix A** under the heading REVENUES OF THE RELATED ENTITIES,
9. material litigation related to any of the foregoing, and
10. 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, the Related Entities.

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 2002F 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 heading CONTINUING DISCLOSURE in this Official Statement with respect to the Series 2002F 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 Annual Information required by such undertaking or any required audited financial statements of any of the Related Transportation Entities.

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 2002F 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 2002F 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

2002F 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 2002F Bonds at the time Outstanding which are affected thereby. Each of the 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 Transportation Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the Transportation 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 2002F Bonds have been paid in full or legally defeased pursuant to the Transportation Resolution or the date the undertaking is no longer required by law. 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 2002F Bonds in definitive form, Hawkins, Delafield & Wood, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$446,110,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Refunding Bonds, Series 2002F (the "Series 2002F Bonds").

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

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

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

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

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

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

We are of the opinion that:

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

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

3. The Series 2002F 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 2002F 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 2002F Bonds.

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

5. The Series 2002F 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 2002F Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2002F 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 2002F Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

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

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2002F Bonds. We express no opinion on the effect of any action

hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2002F 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 2002F Bonds.

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

Very truly yours,

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ATTACHMENT 4

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY
FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

[NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent ") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

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, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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