



\$717,730,000
METROPOLITAN TRANSPORTATION AUTHORITY
Transportation Revenue Bonds, Series 2006B

DATED: Date of Delivery

DUE: November 15, as shown on the inside cover

The Series 2006B Bonds are being issued to pay in full the principal portion of MTA's outstanding commercial paper notes and to refund certain MTA bonds that were previously issued to fund transit and commuter projects.

The Series 2006B Bonds—

- are MTA's special, not general, obligations, payable solely from the revenues of the transit and commuter systems and other sources pledged to bondholders as described in this official statement, and
- are not a debt of the State or The City of New York or any other local government unit.

MTA has no taxing power.

In the opinion of Nixon Peabody LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2006B 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 2006B 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 scheduled payment of principal of and interest on certain maturities of the Series 2006B Bonds, as shown on the inside cover, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2006B Bonds by Financial Security Assurance Inc. (Financial Security).



The Series 2006B Bonds are subject to redemption prior to maturity as described herein.

The Series 2006B 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 December 20, 2006.

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 2006B Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

JPMorgan

Lehman Brothers

UBS Investment Bank

Bear, Stearns & Co. Inc.

Citigroup

A.G. Edwards

Banc of America Securities LLC

First Albany Capital Inc.

Loop Capital Markets, LLC

Merrill Lynch & Co.

Morgan Stanley

M.R. Beal & Company

Ramirez & Co., Inc.

Raymond James

RBC Capital Markets

Roosevelt & Cross, Incorporated

Siebert Brandford Shank & Co., LLC

Wachovia Bank, N.A.

\$717,730,000
Metropolitan Transportation Authority
Transportation Revenue Bonds, Series 2006B

\$285,650,000 Serial Bonds

<u>Maturity</u> <u>(November 15)</u>	<u>Insurer</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP Number</u> <u>(59259R)*</u>
2007	Uninsured	\$ 7,915,000	4.00%	3.57%	P65
2008	Uninsured	7,570,000	4.00	3.53	P73
2009	Uninsured	7,875,000	4.00	3.56	P81
2010	Uninsured	8,190,000	4.00	3.58	P99
2011	Uninsured	8,515,000	5.00	3.60	Q23
2012	Uninsured	8,945,000	4.00	3.65	Q31
2013	Uninsured	9,300,000	5.00	3.70	Q49
2014	Uninsured	2,955,000	4.00	3.78	Q56
2014	Uninsured	6,805,000	5.00	3.78	Q64
2015	Uninsured	10,225,000	5.00	3.83	Q72
2016	Uninsured	2,065,000	4.00	3.87	Q80
2016	Uninsured	8,665,000	5.00	3.87	Q98
2017 [†]	Uninsured	620,000	4.00	3.93	R22
2017 [†]	Uninsured	10,630,000	5.00	3.93	R30
2018 [†]	Uninsured	11,805,000	5.00	3.97	R48
2019 [†]	Uninsured	12,395,000	5.00	4.01	R55
2020 [†]	Uninsured	13,015,000	5.00	4.04	R63
2021 [†]	Financial Security	13,665,000	5.00	3.96	R71
2022 [†]	Financial Security	14,350,000	5.00	3.98	R89
2023 [†]	Financial Security	15,065,000	5.00	3.99	R97
2024 [†]	Uninsured	15,820,000	5.00	4.14	S21
2025 [†]	Uninsured	16,615,000	5.00	4.16	S39
2026	Financial Security	72,645,000	5.25	4.05	S47

\$432,080,000 Term Bonds

\$65,000,000 (Uninsured) 4.75% Series 2006B Term Bonds Due November 15, 2031
Priced to Yield 4.36%[†] CUSIP Number 59259RS54*

\$247,125,000 (Financial Security) 4.50% Series 2006B Term Bonds Due November 15, 2032
Priced to Yield 4.42%[†] CUSIP Number 59259RS62*

\$119,955,000 (Uninsured) 4.50% Series 2006B Term Bonds Due November 15, 2036
Priced to Yield 4.55% CUSIP Number 59259RS70*

The Series 2006B Bonds are subject to mandatory sinking fund redemption, optional redemption and redemption by the State and The City of New York as described under the caption “DESCRIPTION OF SERIES 2006B BONDS – Redemption Prior to Maturity” in Part I. The following summarizes the optional redemption provisions: except for the Series 2006B Bonds maturing on November 15, 2026, which are not subject to optional redemption prior to maturity, the Series 2006B Bonds maturing on or after November 15, 2017 are subject to optional redemption prior to maturity on any date on or after November 15, 2016, at the option of MTA, in whole or in part at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date.

* 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 2006B 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 2006B Bonds or as indicated above.

[†] Priced at the stated yield to the November 15, 2016 optional redemption date at a redemption price of 100%.

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

Peter S. Kalikow	Chairman
David S. Mack	Vice-Chairman
Andrew M. Saul	Vice-Chairman
Andrew B. Albert	Non-Voting Member
John H. Banks III	Member
James F. Blair	Non-Voting Member
Nancy Shevell Blakeman	Member
Norman E. Brown	Non-Voting Member
Donald Cecil	Member
Barry L. Feinstein	Member
Jeffrey A. Kay	Member
Mark D. Lebow	Member
James L. McGovern	Non-Voting Member
Susan G. Metzger	Member
Mark Page	Member
Mitchell H. Pally	Member
Francis H. Powers	Member
James L. Sedore, Jr.	Member
Ed Watt	Non-Voting Member
Carl V. Wortendyke	Member

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

NIXON PEABODY LLP
New York, New York
Bond Counsel

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

SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2006B Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.		
Bonds Being Offered	Transportation Revenue Bonds, Series 2006B.		
Purpose of Issue.....	To pay in full the principal portion of MTA’s outstanding commercial paper notes and to refund certain MTA bonds that were previously issued to fund transit and commuter projects.		
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, 2007.		
Redemption.....	See “DESCRIPTION OF SERIES 2006B BONDS – Redemption Prior to Maturity” in Part I.		
Sources of Payment and Security	MTA’s pledged transportation revenues from Transit and Commuter System operations, MTA Bus operations, MTA Bridges and Tunnels operating surplus, subsidies from governmental entities and certain other sources, all as described in Part II.		
Credit Enhancement.....	The scheduled payment of principal of and interest on certain maturities of the Series 2006B Bonds, as shown on the inside cover, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2006B Bonds by Financial Security Assurance Inc.		
Registration of the Bonds	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.		
Trustee	The Bank of New York, New York, New York, as successor in interest to JPMorgan Chase Bank, N.A.		
Bond Counsel	Nixon Peabody LLP, New York, New York.		
Tax Status	See “TAX MATTERS” in Part III.		
Expected Ratings	<u>Rating Agency</u>	<u>Uninsured</u>	<u>Insured</u>
	Moody’s:	A2	Aaa
	Standard & Poor’s:	A	AAA
	Fitch:	A	AAA
	See “RATINGS” in Part III.		
Financial Advisor	Goldman, Sachs & Co.		
Underwriters.....	See cover page. J.P. Morgan Securities Inc. is the representative of the Underwriters for the Series 2006B Bonds.		
Underwriters’ Discount	See “UNDERWRITING” in Part III.		
Counsel to the Underwriters	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.		
Verification Agent	Samuel Klein and Company, Certified Public Accountants.		

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- **No Unauthorized Offer.** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2006B 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 2006B 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 2006B Bonds being offered, or anything else related to this bond issue.
 - **Information Subject to Change.** Information and expressions of opinion are subject to change without notice and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
 - **Forward-Looking Statements.** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this official statement.
 - **Projections.** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither MTA's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this official statement, which is solely the product of MTA and its affiliates and subsidiaries, and the independent auditors assume no responsibility for its content.
 - **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 Financial Security Assurance Inc. (Financial Security) contained under the caption "DESCRIPTION OF SERIES 2006B BONDS—Bond Insurance" and in Attachment 4 herein, none of the information in this official statement has been supplied or verified by Financial Security and Financial Security 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 2006B Bonds, or
 - the tax-exempt status of the interest on the Series 2006B Bonds.
 - **Overallotment and Stabilization.** The Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2006B Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.
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- Attachment 2** – Continuing Disclosure Under SEC Rule 15c2-12
- Attachment 3** – Form of Opinion of Bond Counsel
- Attachment 4** – Information Relating to Financial Security Assurance Inc.

Information Included by Specific Cross-reference. The following portions of MTA’s 2006 Combined Continuing Disclosure Filings, dated April 27, 2006, and filed with the repositories identified in the “INTRODUCTION – Where to Find Information” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2006B 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, 2005 and 2004
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2005 and 2004

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

- Summary of Certain Provisions of the Transportation Resolution⁽¹⁾
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions⁽¹⁾
- Form of the Interagency Agreement (as amended effective April 1, 2006 to include MTA Bus)⁽¹⁾

⁽¹⁾ Copies of these summaries can be found on the MTA website (www.mta.info) under the caption “MTA Home-Investor Information.” Definitions of certain terms used in the summaries may differ from terms used in this official statement, such as the use herein of the popular names of the MTA affiliates and subsidiaries.

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INTRODUCTION

MTA 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 MTA’s service region (the MTA Commuter Transportation District), which consists of 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 and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority; the Staten Island Rapid Transit Operating Authority; The Long Island Rail Road Company; the Metro-North Commuter Railroad Company; the Metropolitan Suburban Bus Authority (MTA Long Island Bus); the MTA Bus Company; and MTA Capital Construction Company. MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MTA Long Island Bus.

Triborough Bridge and Tunnel Authority (MTA Bridges and Tunnels), another affiliate of MTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. MTA Bridges and Tunnels issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. MTA Bridges and Tunnels’ 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 MTA’s affiliates and subsidiaries, which, together with MTA, are referred to herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2006 Combined Continuing Disclosure Filings (Appendix A), which is included by specific cross-reference in this official statement.

The following table sets forth the legal and popular names of the Related Entities. Throughout this official statement, reference to each agency will be made using the popular names.

<u>Legal Name</u>	<u>Popular Name</u>
Metropolitan Transportation Authority	MTA
New York City Transit Authority	MTA New York City Transit
Manhattan and Bronx Surface Transit Operating Authority	MaBSTOA
Staten Island Rapid Transit Operating Authority	MTA Staten Island Railway
MTA Bus Company	MTA Bus
Metropolitan Suburban Bus Authority	MTA Long Island Bus
The Long Island Rail Road Company	MTA Long Island Rail Road
Metro-North Commuter Railroad Company	MTA Metro-North Railroad
MTA Capital Construction Company	MTA Capital Construction
Triborough Bridge and Tunnel Authority	MTA Bridges and Tunnels

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

Where to Find Information

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

- **Part I** provides specific information about the Series 2006B Bonds.
- **Part II** describes the sources of payment and security for all Transportation Revenue Bonds, including the Series 2006B Bonds.
- **Part III** provides miscellaneous information relating to the Series 2006B Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2006B Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2006B Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2006B Bonds.
- **Attachment 4** sets forth certain information relating to Financial Security and includes the form of its specimen municipal bond insurance policy.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

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

Bloomberg Municipal Repository

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

FT Interactive Data

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

DPC Data Inc.

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

Standard & Poor's Securities Evaluations, Inc.

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 Cross-reference. The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this official statement. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes the specified portions of those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2006B Bonds.**

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

Recent Developments

Revised 2006 Financial Information. MTA currently projects that it will end calendar year 2006 with a closing cash balance after policy and gap-closing actions of \$938 million, an increase of \$227 million over the July preliminary financial plan (the July Financial Plan), largely due to an additional \$176 million in real estate transaction taxes. This additional amount does not include approximately \$52 million that is expected to be payable to MTA in 2006 due to the recent closing of the sale of Stuyvesant Town/Peter Cooper Village in lower Manhattan.

MTA 2007-2010 Financial Plan Information Updated. On December 13, 2006, the MTA Board, on behalf of the Related Entities, adopted a 2007 budget (the 2007 Budget). In addition, MTA, on behalf of the Related Entities, presented an updated financial plan for the years 2007-2010 (the 2007-2010 Financial Plan) that includes the 2007 Budget and a financial plan for the years 2008–2010. There were no substantive changes in either the 2007 Budget or the 2007-2010 Financial Plan from the documents submitted to the MTA Board at its November meeting. The 2007-2010 Financial Plan updates the information set forth in the July Financial Plan covering the same years. Copies of the 2007 Budget and the 2007-2010 Financial Plan are posted on MTA's website (www.mta.info) under "Financial Plan/Capital Program."

During 2006, real estate revenue allocated to the MTA from the mortgage recording taxes in the MTA Commuter Transportation District and the urban taxes on commercial real estate transactions in the City exceeded projections. In the 2007-2010 Financial Plan, MTA is projecting that real estate transaction taxes will total \$1,078 million in 2007 (\$201 million more than the July Financial Plan), \$1,122 million in 2008 (\$214 million more than the July Financial Plan), \$1,145 million in 2009 (\$233 million more than the July Financial Plan), and \$1,179 million in 2010 (\$249 million more than the July Financial Plan). Such projections are based upon this year's increase in real estate transaction taxes (almost \$70 million more than in 2005) and an assumption that future declines will be less steep than previously forecast in the July Financial Plan, notably in tax revenue derived from commercial transactions.

Due to the re-estimation of the real estate transaction taxes of approximately \$1,073 million between 2006 and 2010, the 2007-2010 Financial Plan does not include (1) the proposed 5% fare and toll yield increases scheduled for September 2007 and January 2009 (resulting in approximately \$1,300 million less projected fare and toll revenue) and (2) certain subway and bus off-peak service adjustments (resulting in approximately \$175 million additional expense) that were included in the July Financial Plan.

Some other general adjustments made in the 2007-2010 Financial Plan are as follows:

- Though fuel prices have recently dropped, traction and propulsion power providers have indicated that rate increases over the next several years will be higher than previously expected, resulting in additional costs ranging from \$7 million in 2007 to \$57 million in 2010.
- Preliminary indications are that pension costs will increase by approximately \$40 million annually as a result of changing demographics and projected overtime usage.
- Recent rate projections by major health care providers are lower than was forecasted in the July Financial Plan, resulting in savings ranging from \$28 million in 2007 to \$49 million in 2010.
- Based on recent ridership trends and projected employment levels, the 2007-2010 Financial Plan projects an increase in farebox revenues from the July Financial Plan, but such revenues are still significantly less than the levels projected in the February financial plan.

In addition, the MTA Board approved the following:

- \$142 million of the \$378 million of the increased real estate transaction tax revenue for 2006 and 2007 be used to (1) offset the \$78 million of lost revenue expected in 2007 from the previously proposed September 2007 fare/toll increase, (2) offset the \$22 million savings in 2007 that would have been generated by service adjustments in off-peak bus and subway service, and (3) cover the net increases in

2006 and 2007 in baseline agency budgets, including increased energy, actuarial pensions and other net changes to the July Financial Plan.

- With regard to the remaining \$236 million in real estate transaction tax revenues for 2006 and 2007, the 2007-2010 Financial Plan proposes the following uses:
 - \$25 million be set aside between 2007 and 2010 to offset the costs associated with providing enhanced security training to designated operating personnel.
 - \$50 million be set aside for emerging capital program security contingencies, including an upgrade of MTA Police radios.
 - \$81 million be set aside to cover the costs associated with implementing anticipated workforce efficiencies, including reductions in personnel, sharing of services among the agencies and other statutory reorganization measures.
 - As described more fully below under “New GASB Regulations Relating to OPEBs,” the July Financial Plan assumed that \$535 million would be set aside in a GASB Fund by the end of 2010. Using the same methodology as described in the July Financial Plan to calculate GASB costs, the 2007-2010 Financial Plan assumes a contribution to the GASB Fund of \$497 million. It is recommended that an additional \$80 million be set aside for the GASB Fund, bringing the total GASB Fund contribution to \$577 million for the 2007-2010 Financial Plan period. Although an assessment by MTA’s independent actuaries has not yet been completed to determine the full extent of MTA’s liabilities for OPEBs, these amounts are likely well short of the probable unfunded liability.
 - A 10-year program to paint all of the subway stations – 118 stations to be funded from current and future MTA Capital Programs and the remaining 350 stations to be funded from the operating budget (approximately \$9 million annually). The approximately \$52 million in real estate transaction tax revenues expected from the sale of Stuyvesant Town/Peter Cooper Village in lower Manhattan would be used to paint approximately 200 of the 350 stations that are to be funded through the operating budget.

In the 2007 Budget and the 2007-2010 Financial Plan, MTA projects the following, after taking into consideration the application of MTA Bridges and Tunnel’s operating surplus to mass transit:

- After policy and gap closing actions, the 2007 Budget projects a net cash balance of \$272 million.
- After policy and gap closing actions, the 2007-2010 Financial Plan projects net cash deficits of \$805 million, \$1,465 million and \$1,793 million in the years 2008 through 2010, respectively. This represents a net improvement in 2008 of \$100 million from the deficit projected in the July Financial Plan, but also an increase in the deficit of \$329 million in 2009 and \$305 million in 2010, largely due to not including the revenue that would have been realized from the proposed 2007 and 2009 fare/toll increases.

Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions and additional health and welfare benefit costs.

MTA is required to balance its budget on a cash basis and, therefore, a plan which could include future cost reductions, fare and toll adjustments and additional subsidies will be necessary to address deficits beginning in 2008. The 2007-2010 Financial Plan assumes a level of capital spending consistent with the approved Transit and Commuter Capital Programs.

New GASB Regulations Relating to OPEBs. In accordance with new GASB regulations, MTA will be required to disclose the value of other than pension post-employment benefits (OPEBs) beginning in fiscal year 2007. See **Appendix A** – “EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS—OPEBs.” MTA currently meets these obligations on a pay-as-you-go basis and, while there is no obligation to change that practice, the 2007-2010 Financial Plan includes a provision for moneys to be set aside of \$249 million in 2006, \$90 million in 2007, \$71 million in 2008, \$79 million in 2009 and \$87 million in 2010. Although an assessment by MTA’s independent actuaries has not yet been completed to determine the full extent of MTA’s liabilities for OPEBs, these amounts are likely well short of the probable unfunded liability. It is expected that MTA would begin setting aside the contributions at the end of 2006 and would reflect savings in NYCERS pension costs (i.e., pension contributions made to the New York City Employees Retirement System on behalf of employees whose pensions are paid by that system) that were made possible by recent legislation and a subsequent revaluation. In addition, the 2007-2010 Financial Plan also assumes that the contributions will include cash savings from health and welfare costs generated by anticipated labor settlements. MTA has not yet established a fund or account to set aside such contributions and there is no obligation on MTA to either establish such a fund or account or to fund it in whole or in part at any time.

MTA Capital Programs Amended. On December 13, 2006, the MTA Board amended the 2000-2004 Capital Programs and the 2005-2009 Capital Programs for the purposes of updating capital project budgets and recognizing changes in funding sources.

2000-2004 Capital Programs.

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$253 million, from \$20.89 billion to \$21.15 billion, with the Transit and Commuter programs increasing by \$285 million and the MTA Bridges and Tunnels program decreasing by \$32 million (which was transferred to the 2005-2009 MTA Bridges and Tunnels capital program to fund cost increases).
- The operating agency programs increased by \$133 million, which includes transfers from the 2005-2009 Capital Program to fund cost increases for work still underway and the addition of new projects for MTA Metro-North Railroad’s Yankee Stadium station and MTA Long Island Rail Road’s Shea Stadium station. The two stadium projects are funded by the transfer of allocations from the discontinued LaGuardia Airport Access project.
- The Phase I Security Program was allocated an additional \$129 million in MTA operating and Federal sources (bringing the total to \$721 million) to fund the completion of the Phase I initiatives.
- The South Ferry Terminal project was allocated an additional \$34 million in MTA operating sources to fund additional costs needed for the final contract award.
- MTA Bus received an additional \$35 million of City funding representing its match for Federal funds transferred by the City as part of the City-MTA agreement relating to the takeover of the private bus companies by MTA Bus.

2005-2009 Capital Programs.

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$45 million, from \$21.29 billion to \$21.33 billion. The changes in the plan included a \$99 million decrease in the core Transit and Commuter programs and the interagency program, a \$34 million increase in the MTA Bridges and Tunnels program (\$32 million of which was transferred from the 2000-2004 MTA Bridges and Tunnels capital program), and a \$110 million increase in City funding for the No. 7 Subway Line extension to reflect the final approved memorandum of understanding between the City and MTA.

- The operating agency programs decreased by \$95 million to transfer funds to ongoing elements in the 2000-2004 MTA Capital Program that have experienced cost increases.
- An amendment to the Phase II Security Program reflects the substitution of \$141 million in MTA Bridges and Tunnels bonds and cash to fund critical security needs of the bridges and tunnels to displace a like amount of originally anticipated Federal funding for these projects that has not materialized.

The amendments to the 2000-2004 MTA Capital Program and the 2005-2009 MTA Capital Program, insofar as they relate to the Transit and Commuter Systems, will not become effective until they are submitted to, and approved by, the Review Board. The amendments relating to the MTA Bridges and Tunnels' capital programs were effective upon adoption by the Board.

Development on West Side of Manhattan and No. 7 Subway Extension. On September 28, 2006, the MTA Board authorized the execution of two memoranda of understanding, one with the City with respect to the development of the MTA Long Island Rail Road yards on the west side of Manhattan (the Rail Yards MOU) and the other with the City and two City-controlled corporations with respect to the design, construction and funding of the No. 7 Line Extension from its current terminal at Times Square to a new terminal station at 34th Street and 11th Avenue (the No. 7 Line MOU).

The eastern portion of the rail yards between 10th and 11th Avenues was rezoned by the City in 2005. The Rail Yards MOU provides that one of the City-controlled corporations, Hudson Yards Infrastructure Corporation (HYIC), will purchase 50% of the transferable development rights (TDRs) on the eastern portion created by the rezoning from MTA for \$200 million. The other City-controlled corporation, Hudson Yards Development Corporation (HYDC), has the authority to market and negotiate the price and payment terms for all of the eastern portion TDRs, subject to the terms and conditions set forth in the Rail Yards MOU. Pursuant to the Rail Yards MOU, once the City has realized from the TDRs sales its original \$200 million plus interest, all remaining proceeds from the sale of the TDRs will be paid to MTA. MTA retains all on-site development rights on the eastern portion.

The western portion of the rail yards between 11th and 12th Avenues is currently zoned for low density industrial uses and must be rezoned by the City prior to more extensive development. Under the Rail Yards MOU, HYDC, in cooperation with MTA and the City Council, will develop a statement of planning and design guidelines (the Guidelines). Following completion of the Guidelines, MTA, in consultation with HYDC, the Department of City Planning and the City Council, will issue a request for proposals to develop both the eastern and western portions of the rail yards, other than the eastern portion TDRs. Separate developers may be chosen for the eastern and western portions. The final selection of a developer or developers and the material business terms of any proposed disposition are subject to further approval of the MTA Board.

The No. 7 Line MOU includes parameters for the City's, HYDC's and HYIC's participation in the funding and oversight regarding the subway extension project. The basic agreement is for the City to fund the cost of the subway and the real estate acquisition needed for the project. MTA Capital Construction, working with MTA New York City Transit, will manage the completion of the final design and the construction of the project. The budget for the extension is \$2 billion, which HYIC will fund through its issuance of bonds. To the extent that additional work is required because of the City, HYDC or HYIC, or issues associated with real estate development being coordinated by the City, then those costs will be borne by the City, and their capital investment in the subway will be correspondingly increased. The City and MTA also intend to agree on terms under which the City, HYIC or HYDC will provide an additional \$100 million for cost overruns, if any. Neither MTA nor TBTA can issue bonds or notes to fund any cost overruns in excess of the \$100 million agreed to by the City, unless the additional costs are included in a capital program amendment or future capital program that is approved by the Review Board.

The proceeds that MTA receives from the rail yards development will be used as a funding source for the 2005-2009 MTA Capital Program.

Property Insurance Renewal Effective October 31, 2006.

- First Mutual Transportation Assurance Company (FMTAC), MTA’s captive insurance company, directly insures property damage claims of the Related Entities in excess of a \$25 million per occurrence self-insurance retention (SIR), subject to an annual \$75 million aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7.5 million per occurrence. The total program limit has been maintained at \$1.25 billion per occurrence covering property of the Related Entities collectively.
- With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London, European and Bermuda marketplaces for this coverage.
- Severe weather in 2005 had a major impact on pricing and capacity for property insurance. Although the market is beginning to stabilize given the absence of major catastrophes in 2006, available capacity at reasonable pricing levels remains limited. As a result, FMTAC was able to obtain additional reinsurance capacity over the last year (reducing the amount retained from \$394.5 million for the year beginning October 31, 2005 to \$267.9 million for the year beginning October 31, 2006), but continues to retain portions within the upper tiers of the program limit. The following chart shows the portions of the tiers of the program limit that have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared among FMTAC and the respective reinsurers on a pro rata basis.

Incremental Insurance Loss <u>(in millions)</u>	Amount Reinsured <u>(in millions)</u>	Amount Retained by FMTAC <u>(in millions)</u>
\$ 0 – 25	\$ 0.0	\$ 25.0
25 – 125	100.0	0.0
125 – 175	50.0	0.0
175 – 400	225.0	0.0
400 – 700	300.0	0.0
700 – 1,000	57.1	242.9
<u>1,000 – 1,250</u>	<u>250.0</u>	<u>0.0</u>
Total	\$982.1	\$267.9

- The property insurance, which is subject to annual renewal on October 31, 2007, provides replacement cost coverage for virtually all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages.
- With respect to acts of terrorism committed by or on behalf of foreign interests, as covered by the Terrorism Risk Insurance Act of 2002, and amended by the Terrorism Risk Insurance Extension Act of 2005 (“TRIA”), FMTAC is reinsured by the United States government for 90% of such “certified” losses, subject to an annual cap on all losses payable under TRIA of \$100 billion. No federal compensation will be paid unless the aggregate industry insured losses exceed \$50 million (“trigger”). The remaining 10% of MTA losses would be covered under an additional policy described in the next paragraph. TRIA coverage is effective through December 31, 2007, but subject to certain changes in 2007, including a lower reimbursement rate (85%) and a higher “trigger” for industry losses (\$100 million).
- With respect to terrorism losses not covered by the United States government under TRIA, FMTAC obtained an additional commercial reinsurance policy that provides coverage for (1) 10% of any “certified” act of terrorism caused by foreign interests, or (2) 100% of any terrorism loss not “certified” by the United States government. Coverage under this policy is subject to a limit of \$100 million per occurrence and \$200 million in the aggregate annually (subject to the \$25 million per

occurrence self-insurance retention). This coverage expires on December 31, 2006. A replacement program is currently being negotiated with the incumbent carrier, as well as potential new insurers to purchase coverage through the end of 2007.

Excise Tax on Leasing. On May 17, 2006, President Bush signed into law an act entitled the “Tax Increase Prevention and Reconciliation Act of 2005” (P.L. 109-222). Among other provisions, P.L. 109-222 imposes an excise tax on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions, such as MTA and its affiliates and subsidiaries. Some of the MTA leasing transactions that could be subject to the tax are described in footnote 7 to MTA’s consolidated financial statements for the years ended December 31, 2005 and 2004 that are included herein by specific cross-reference. The United States Department of the Treasury and the Internal Revenue Service are in the process of drafting regulations that will further clarify which transactions are subject to the excise tax and the calculation of the excise tax. MTA is evaluating P.L. 109-222 and awaiting these regulations. At this time, the magnitude of MTA’s excise tax liability with respect to the lease transactions that are subject to P.L. 109-222 is unclear. Accordingly, MTA is unable to determine at this time whether the imposition of the excise tax will have a material adverse effect on MTA’s financial results or condition.

PART I. SERIES 2006B BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2006B Bonds.

FINANCING PLAN AND APPLICATION OF PROCEEDS

General

MTA anticipates that the net proceeds of the Series 2006B Bonds (the principal amount thereof plus net original issue premium of \$28,205,689.65 and less certain financing, legal, bond insurance and miscellaneous expenses of \$13,437,327.15), in the amount of \$732,498,362.50 million will be used to (1) pay in full the principal portion of MTA's Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the Commercial Paper Notes) as more fully described below under "*Commercial Paper Notes*," and (2) refund certain outstanding MTA bonds (the Refunded Bonds) as more fully described below under "*Refunding*." The Commercial Paper Notes and the Refunded Bonds were issued to fund transit and commuter projects.

Commercial Paper Notes

MTA anticipates that a portion of the net proceeds of the Series 2006B Bonds in the amount of \$450 million will be used to pay in full the principal portion of the Commercial Paper Notes. MTA will pay interest on the Commercial Paper Notes from available resources. The MTA Act requires MTA to periodically refund its commercial paper notes with bonds. MTA expects to pay off maturing principal of the outstanding Commercial Paper Notes through early February 2007 and to issue new commercial paper notes shortly thereafter. On November 28, 2006, MTA and ABN AMRO Bank N.V. agreed to increase the principal portion of the letter of credit securing the commercial paper program to \$750 million to finance certain transit, commuter and MTA Bus projects.

Refunding

MTA anticipates that the remaining portion of the net proceeds of the Series 2006B Bonds in the amount of \$282,498,362.50 will be used to advance refund the following maturities and principal amounts of the Refunded Bonds at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date.

<u>Series</u>	<u>Term or Serial</u>	<u>Maturity (November 15)</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Redemption Date (November 15)</u>	<u>CUSIP Number (59259R)</u>
2002F	Term	2027	\$ 60,890,000	5.25%	2012	LR3
2003B	Serial	2026	35,420,000	5.25	2013	RD8
2003B	Term	2032	171,455,000	5.25	2013	RF3

The portion of the net proceeds of the Series 2006B Bonds that will be used to advance refund the Refunded Bonds will be used to acquire direct obligations of, or obligations guaranteed by, the United States of America (the "Government Obligations"), the principal of and interest on which, when due, will provide, together with any moneys that may be deposited by MTA with The Bank of New York, acting as the Trustee, moneys sufficient to pay the principal or redemption price of the Refunded Bonds and the interest to become due on the Refunded Bonds on and prior to their redemption date.

The Government Obligations and such other moneys, if any, will be deposited with the Trustee upon the issuance and delivery of the Series 2006B Bonds and will be held in trust for the payment of the principal of or redemption price and interest on the Refunded Bonds. Upon making such deposit with the Trustee and the issuance of certain irrevocable instructions to the Trustee pursuant to the Transportation Resolution, the Refunded Bonds will, under the terms of the Transportation Resolution, be deemed to have been paid and will no longer be Outstanding (as defined in the Transportation Resolution) and will cease to be entitled to any lien, benefit or security under the Transportation Resolution.

DESCRIPTION OF SERIES 2006B BONDS

General

Book-Entry-Only System. The Series 2006B 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 2006B 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 2006B Bonds, all payments on the Series 2006B 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 2006B 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, 2007. So long as DTC is the sole registered owner of all of the Series 2006B 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 2006B Bonds, it will be the sole registered owner of the Series 2006B Bonds, and transfers of ownership interests in the Series 2006B Bonds will occur through the DTC Book-Entry-Only System.

Trustee and Paying Agent. The Bank of New York, New York, New York, successor in interest to JPMorgan Chase Bank, N.A., is Trustee and Paying Agent with respect to the Series 2006B Bonds.

Redemption Prior to Maturity

Mandatory Sinking Fund Redemption. The term bonds shown below are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after 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 2006B Bonds shown below:

<u>2031 Term Bond</u>		
	Sinking Fund Redemption Date (November 15)	Sinking Fund Installment
first payment	2027	\$13,000,000
	2028	13,000,000
	2029	13,000,000
	2030	13,000,000
final maturity	2031	13,000,000
average life 22.90 years		

<u>2032 Term Bond</u>		
	Sinking Fund Redemption Date (November 15)	Sinking Fund Installment
first payment	2027	\$46,465,000
	2028	5,910,000
	2029	47,890,000
	2030	50,665,000
	2031	53,560,000
final maturity	2032	42,635,000
average life 23.66 years		

<u>2036 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2032	\$20,600,000
	2033	23,225,000
	2034	24,270,000
	2035	25,360,000
final maturity	2036	26,500,000
average life 28.02 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 2006B 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 2006B 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 2006B 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. Except for the Series 2006B Bonds maturing on November 15, 2026, the Series 2006B Bonds maturing on or after November 15, 2017 are subject to redemption prior to maturity on any date on or after November 15, 2016, at the option of MTA, in whole or 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) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date. The Series 2006B Bonds maturing on November 15, 2026 are not subject to optional redemption.

State and City Redemption. Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2006B 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 2006B Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2006B 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 2006B Bonds, as a whole, but only in accordance with the terms upon which the Series 2006B Bonds are otherwise redeemable.

Redemption Notices. So long as DTC is the securities depository for the Series 2006B Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2006B 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 2006B 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 2006B 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 2006B Bonds, then on the redemption date the Series 2006B 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 2006B Bonds called for redemption, thereafter no interest will accrue on those Series 2006B Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2006B Bonds.

Bond Insurance

Concurrently with the issuance of the Series 2006B Bonds, Financial Security Assurance Inc. (Financial Security) will issue its insurance policy (the FSA Insurance Policy) for those maturities of the Series 2006B Bonds identified as being insured by Financial Security on the inside cover hereof (collectively, the FSA Insured Bonds). The FSA Insurance Policy insures the scheduled payment of principal of and interest on the FSA Insured Bonds when due as set forth in the form of the FSA Insurance Policy included as **Attachment 4** to this official statement. Reference is made to **Attachment 4** for information regarding Financial Security and a specimen of the FSA Insurance Policy.

MTA has granted to Financial Security certain rights authorized under Section A-202 of the Transportation Resolution (as hereinafter defined), including the right to be deemed the sole Owner of the FSA Insured 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 cross-reference herein.

Debt Service on the Transportation Revenue Bonds

Table 1 on the following page sets forth, on a cash basis, (1) estimated debt service on the outstanding Transportation Revenue Bonds, net of debt service on the Refunded Bonds, (2) debt service on the Series 2006B Bonds, and (3) estimated debt service, on an aggregate basis, on all Transportation Revenue Bonds after the issuance of the Series 2006B Bonds.

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

Year Ending November 15	Outstanding Bonds, Net of Refunded Bonds ⁽²⁾	Series 2006B Bonds			Aggregate Debt Service ⁽³⁾
		Principal	Interest	Total	
2007	\$ 617,210	\$ 7,915	\$ 30,341	\$ 38,256	\$ 655,466
2008	617,060	7,570	33,292	40,862	657,922
2009	616,937	7,875	32,989	40,864	657,802
2010	616,774	8,190	32,674	40,864	657,638
2011	616,618	8,515	32,347	40,862	657,480
2012	616,435	8,945	31,921	40,866	657,301
2013	617,743	9,300	31,563	40,863	658,606
2014	617,732	9,760	31,098	40,858	658,590
2015	617,730	10,225	30,640	40,865	658,595
2016	617,707	10,730	30,129	40,859	658,565
2017	617,093	11,250	29,613	40,863	657,956
2018	617,157	11,805	29,056	40,861	658,018
2019	617,252	12,395	28,466	40,861	658,114
2020	617,310	13,015	27,846	40,861	658,171
2021	617,383	13,665	27,196	40,861	658,244
2022	617,439	14,350	26,512	40,862	658,302
2023	626,122	15,065	25,795	40,860	666,982
2024	626,207	15,820	25,042	40,862	667,069
2025	626,329	16,615	24,251	40,866	667,195
2026	571,230	72,645	23,420	96,065	667,295
2027	588,318	59,465	19,606	79,071	667,389
2028	631,726	18,910	16,898	35,808	667,534
2029	590,753	60,890	16,014	76,904	667,657
2030	590,847	63,665	13,242	76,907	667,754
2031	590,984	66,560	10,344	76,904	667,888
2032	546,867	63,235	7,317	70,552	617,419
2033	236,617	23,225	4,471	27,696	264,313
2034	236,752	24,270	3,426	27,696	264,448
2035	208,003	25,360	2,334	27,694	235,697
2036	0	26,500	1,193	27,693	27,693
Total	<u>\$16,546,335</u>	<u>\$717,730</u>	<u>\$679,037</u>	<u>\$1,396,767</u>	<u>\$17,943,101</u>

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes the following variable rates assumptions for debt service: Series 2002D-2, Series 2005D and Series 2005E Bonds at their respective swap rates (3.627%, 3.561% and 3.561%, respectively); and Series 2002B, Series 2002D-1, Series 2002G, Series 2004A and Series 2005G Bonds at an assumed variable interest rate of 4% per annum.

⁽³⁾ Includes the assumptions set forth in footnotes 1 and 2.

PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Part II of this official statement describes the sources of payment and security structure for all Transportation Revenue Bonds, including the Series 2006B Bonds.

SOURCES OF PAYMENT

Pledged Transportation Revenues

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

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, MTA Long Island Rail Road and MTA Metro-North Railroad and, effective as of April 1, 2006, MTA Bus) and affiliates (currently, MTA New York City Transit 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 the 5 years ended December 31, 2005:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in Part 3 of **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
- the amount of debt service on the farebox bonds that were refunded by Transportation Revenue Bonds during MTA's debt restructuring in 2002 and the amount of debt service on the Bonds beginning in 2002, and
- the amount of transit and commuter operating expenses.

Table 2 is based on the historical audited financial statements of MTA and its subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad, and MTA New York City Transit and its subsidiary MaBSTOA. The audited financial statements for MTA and MTA New York City Transit for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. This information in **Table 2** may not be indicative of future results of operations and financial condition. **Table 2** does not include MTA Bus since MTA Bus signed the Interagency Agreement effective as of April 1, 2006. For the years 2001 and 2002, **Table 2** is a presentation that gives effect to the combined revenues of the Transit System and Commuter System as if the Transportation Resolution had been in place before the debt restructuring. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

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

	Years Ended December 31,				
	2001	2002	2003	2004	2005
Revenues from Systems Operations					
Fares from Transit System	\$2,141	\$2,156	\$2,420	\$2,567	\$2,668
Fares from Commuter System	698	689	772	819	881
Other Income ⁽¹⁾	138	157	109	245	129
Subtotal – Operating Revenues	2,977	3,002	3,301	3,631	3,678
Revenues from MTA Bridges and Tunnels Surplus	311	251	395	377	477
MTA Bridges and Tunnels – Refund of Excess Debt Service Payments	0	0	164	0	0
Revenues from Governmental Sources					
State and Local General Operating Subsidies	424	423	380	377	415
Special Tax-Supported Operating Subsidies					
DTF Excess ⁽²⁾	256	333	322	411	361
MMTOA Receipts	778	1,107	731	736	946
Urban Tax	216	171	177	344	551
Excess Mortgage Recording Taxes	0	0	228	163	193
Subtotal Special Tax-Supported Operating Subsidies	1,250	1,612	1,458	1,654	2,051
Station Maintenance and Service Reimbursements	278	291	307	311	349
Revenues from Investment of Capital Program Funds⁽³⁾	137	27	14	26	52
Subtotal – Non-Operating Revenues⁽⁴⁾	2,400	2,604	2,718	2,745	3,344
Total Transportation Resolution Pledged Revenues	\$5,377	\$5,606	\$6,019	\$6,376	\$7,022
Debt Service⁽⁵⁾	\$378	\$106	\$257	\$389	\$506
Transit Operating Expenses	\$3,589	\$3,843	\$4,161	\$4,198	\$4,483
Commuter Operating Expenses	1,347	1,426	1,512	1,609	1,632
Total Operating Expenses	\$4,936	\$5,269	\$5,673	\$5,807	\$6,115
Total Operating Expenses and Debt Service	\$5,314	\$5,375	\$5,930	\$6,196	\$6,621

(1) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous. In December 2004, MTA provided MTA New York City Transit with a \$13 million subsidy from operating funds.

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

(3) Represents investment income on capital program funds held for the benefit of the Transit and Commuter Systems on an accrual basis.

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

(5) Actuals for the years 2001 and 2002 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year on the bonds defeased in connection with the debt restructuring before, and debt service on the Transportation Revenue Bonds after, the completion of the debt restructuring.

The following should be noted in Table 2:

- Revenues from Systems Operations – In 2003, the level of fares increased on May 4 for the Transit System and May 1 for the Commuter System. In 2005, the level of fares increased on February 27 for the Transit System and March 1 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys.
- The level of MTA Bridges and Tunnels Surplus available to the Transit and Commuter Systems declined in 2002 due primarily to the fact that certain MTA Bridges and Tunnels 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 MTA Bridges and Tunnels net revenues. The bonds secured by the mortgage recording taxes were defeased in full and replaced by bonds secured by MTA Bridges and Tunnels net revenues. The mortgage recording taxes that are no longer pledged under the MTA Bridges and Tunnels bond resolutions are paid to MTA for headquarters purposes, including transit and commuter purposes. MTA Bridges and Tunnels Surplus increased in 2003 based primarily upon the toll increases that became effective on May 18, 2003 and again in 2005 based primarily upon the toll increases that became effective on March 13, 2005.
- MTA Bridges and Tunnels – Refund of Excess Debt Service Payments – for 2003, approximately \$164 million in non-recurring excess debt service payments resulting from the debt restructuring that were on deposit with the MTA Bridges and Tunnels bond trustees were applied for the benefit of the Transit and Commuter Systems.
- The increased amount of MMTOA Receipts in 2002 reflects the advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$230 million). Beginning in 2003, MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts similarly advanced. MTA will monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary. The increased amount of MMTOA Receipts in 2005 reflects in major part the imposition of an additional 1/8% regional sales tax commencing June 1, 2005.
- The "Urban Tax" collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds in 2004 and 2005 reflect the very high level of real estate sale and refinancing activity during those years.
- As noted in the third bullet point above, beginning in 2003, mortgage recording taxes (\$228 million in 2003, \$163 million in 2004 and \$193 million in 2005), including those no longer needed to pay debt service on the defeased MTA Bridges and Tunnels mortgage recording tax bonds, were available for Transit and Commuter Systems purposes after the payment of MTA headquarters expenses.
- Revenues from Investment of Capital Program Funds – substantially all of the investment income is generated from bond proceeds, such as reserve funds and funds held in anticipation of expenditure on project costs. Since substantially all of the debt service reserve funds were eliminated in the debt restructuring, "Revenues from Investment of Capital Program Funds" declined sharply in 2002 (reflecting a partial year when the reserve funds remained in place) and declined further beginning in 2003.

The following **Table 3** sets forth updated financial information for 2006 and budget information for 2007 taken from the 2007-2010 Financial Plan presented to the MTA Board on December 13, 2006. The information set forth in **Table 3** is comparable to that set forth in **Table 2** with respect to the years 2001-2005. **Table 3** contains, for the first time, financial information with respect to MTA Bus.

Table 3
Summary of Estimated 2006 and Budgeted 2007 Pledged Revenues
(Calculated in Accordance with the Transportation Resolution) and Expenses
on a Cash Basis (in millions)

	2006 Final Estimate ⁽¹⁾	2007 Budget ⁽¹⁾
Revenues from Systems Operations		
Fares from Transit System	\$2,748	\$2,789
Fares from Commuter System	942	962
Fares from MTA Bus	126	129
Other Income ⁽²⁾	179	201
Subtotal – Operating Revenues	3,995	4,081
Revenues from MTA Bridges and Tunnels Surplus	416	345
Revenues from Governmental Sources		
State and Local General Operating Subsidies	396	396
City Subsidy for MTA Bus	205	254
Special Tax-Supported Operating Subsidies		
DTF Excess ⁽³⁾	396	329
MMTOA Receipts	1,269	1,472
Urban Tax	662	495
Excess Mortgage Recording Taxes	183	62
Subtotal Special Tax-Supported Operating Subsidies	2,510	2,358
Station Maintenance and Service Reimbursements	365	383
Revenues from Investment of Capital Program Funds	25	9
Subtotal – Non-Operating Revenues⁽⁴⁾	3,917	3,745
Total Transportation Resolution Pledged Revenues	\$7,912	7,826
Budgeted Debt Service	\$619	\$682
Transit Operating Expenses	\$5,033	\$5,323
Commuter Operating Expenses	1,839	2,069
MTA Bus Operating Expenses	334	387
Total Operating Expenses	\$7,206	\$7,779
Total Operating Expenses and Debt Service⁽⁵⁾	\$7,825	\$8,461

⁽¹⁾ Based on the 2007-2010 Financial Plan presented to the MTA Board on December 13, 2006.

⁽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. Includes MTA Bus Company Other Income.

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

⁽⁴⁾ Sum of Revenues from MTA Bridges and Tunnels Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), and Station Maintenance and Service Reimbursements.

⁽⁵⁾ 2007 budgeted Total Operating Expenses and Debt Service are higher than Total 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 a balanced budget for 2007.

The following should be noted in Table 3:

- Revenues from MTA Bridges and Tunnels Surplus – In 2006, the surplus declined primarily due to (1) lower than anticipated traffic due primarily to adverse weather conditions in early 2006 and the impacts of higher gas prices and (2) the discontinuation of (a) MTA’s reimbursement to MTA Bridges and Tunnels of the cost of certain security projects and (b) the \$1 monthly administrative fee pursuant to State legislation. In 2007, the surplus is expected to be lower primarily due to (1) increased expenditures for E-ZPass customer service center operations due to the delay in 2006 of awarding a new contract, and (2) discontinuation of the \$1 monthly administrative fee pursuant to State legislation. In addition, debt service, pension and health care costs increased during 2006 and are expected to increase during 2007.
- Urban Tax – In 2007, it is expected that the level of commercial real estate activity subject to the urban tax within the City will decline from 2006’s high levels. In addition, 2006 urban tax totals include the estimated \$52 million in urban tax revenues expected from the sale of Stuyvesant Town/Peter Cooper Village in lower Manhattan.
- Excess Mortgage Recording Taxes – In 2007, it is expected that the level of real estate activity subject to mortgage recording taxes throughout the MTA Commuter Transportation District will decline from 2006’s high levels.
- Transit Operating Expenses – In 2006, Transit System operating expenses increased primarily due to costs related to (1) payroll, overtime and benefits, (2) paratransit services, and (3) traction and propulsion and fuel. In 2007, in addition to the factors described above under “Recent Developments – *MTA 2007-2010 Financial Plan Information Updated*” relating to traction and propulsion, pension and health care costs, it is expected that operating expenses will also increase due to additional paratransit services costs.
- Commuter Operating Expenses – In 2006, Commuter System operating expenses increased primarily due to costs related to (1) payroll and benefits, (2) maintenance programs, and (3) traction and propulsion and fuel. In 2007, in addition to the factors described above under “Recent Developments – *MTA 2007-2010 Financial Plan Information Updated*” relating to traction and propulsion, pension and health care costs, it is expected that operating expenses will also increase due to, among other things, costs relating to implementation of a life cycle maintenance program for new rail cars at MTA Long Island Rail Road and a rolling stock overhaul program at MTA Metro-North Railroad.

Description of Pledged Revenues

Each of the following revenues is described in more detail in Part 3 of **Appendix A** under the caption “REVENUES OF THE RELATED ENTITIES.”

Revenues from Systems Operations.

- ***Fares from the Transit and Commuter Systems*** – For *transit*, while the basic local fare (excluding express bus service) was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average local fare (excluding express bus service) to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average was \$1.29 in 2005); and for *commuter*, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including 30-day MetroCards), and for senior citizens and the handicapped.
- ***Other Income*** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MTA Metro-North Railroad) and Pennsylvania Station (the main station for MTA Long Island Rail Road), however, are not included within these amounts pledged.

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

Revenues from Governmental Sources.

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

- the regional PBT (in addition to the state-wide portion described above), which is referred to as the MMTOA PBT,
 - the sales and compensating use tax within the MTA transportation district,
 - two franchise taxes imposed on certain transportation and transmission companies, and
 - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
- o a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.
- ***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 MTA New York City Transit’s paratransit, senior-citizen and school children programs. Also, MTA Metro-North Railroad receives certain payments from the Connecticut Department of Transportation (CDOT) for its share of the operating deficits of the New Haven rail line.
 - ***City Agreement with MTA Bus*** – In December 2004, the MTA Board approved a letter agreement with the City (the MTA Bus Letter Agreement) with respect to MTA Bus’ establishment and operation of certain bus routes (the MTA Bus System) in areas then served by seven private bus companies pursuant to franchises granted by the City. The City’s payments under the MTA Bus Letter Agreement are pledged to holders of the Transportation Revenue Bonds. Since MTA Bus did not become a party to the Interagency Agreement until April 1, 2006, none of the previous City payments are reflected in **Table 2** above. The MTA Bus Letter Agreement with the City provides for the following:
 - o A lease by the City to MTA Bus of the bus assets to operate the MTA Bus System.
 - o The City agrees to pay MTA Bus the difference between the actual cost of operation of the MTA Bus System (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the MTA Bus System.
 - o If the City fails to timely pay any of the subsidy amounts due for a period of 30 days, MTA Bus has the right, after an additional 10 days, to curtail, suspend or eliminate service and may elect to terminate the agreement. The City can terminate the agreement on one year’s notice.

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, Commuter and MTA Bus Systems. Those ridership levels are affected by safety and the quality and efficiency of systems operations, as well as by financial and economic conditions in the New York metropolitan area.

Fare Policy. MTA determines the rate or rates of fares charged to users of the Commuter System and MTA Bus System, and MTA New York City Transit and MaBSTOA, together with MTA, do the same for the Transit System. After adopting operating expense budgets and assessing the availability of governmental subsidies, each makes a determination of fares necessary to operate on a self-sustaining cash basis in compliance with State law and

covenants in the Transportation Resolution. Considering the impact of increased fares on riders and on the regional economy, MTA's policy is to attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares. As a result, even though MTA does not generally need other governmental approvals before setting fares, the amount and timing of fare increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. MTA's obligation to obtain approval of fare increases on the New Haven line from CDOT can also affect the amount and timing of fare increases.

Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses. The Transit, Commuter and MTA Bus 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, Commuter and MTA Bus Systems fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budgets prepared in connection with 2006 and 2007 and the forecasts prepared in connection with 2008, 2009 and 2010) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

Operating Results and Projections. Based upon the 2007-2010 Financial Plan, the budgets of the Related Entities are expected to be substantially in balance through 2007, but there are expected to be substantial gaps thereafter. Any of the Transit System, the Commuter System or MTA Bus or all of them may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include raising fares.

2007-2010 Financial Plan. The 2007-2010 Financial Plan, the 2000-2004 MTA Capital Program, the 2005-2009 MTA Capital Program and future MTA 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 2007-2010 Financial Plan, the 2000-2004 MTA Capital Program, the 2005-2009 MTA Capital Program and future MTA Capital Programs, as well as on pledged revenues. See Part 3 of **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS."

MTA Bridges and Tunnels Operating Surplus. The amount of MTA Bridges and Tunnels 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 MTA Bridges and Tunnels Facilities, and the amount of debt service payable from its operating revenues, including debt service on obligations issued for the benefit of MTA's affiliates and subsidiaries and for MTA Bridges and Tunnels' own capital needs.

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

- Subsidy payments by the State may be made only if and to the extent that appropriations have been made by the Legislature, and money is available to fund those appropriations.
- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made.
- The State is not bound or obligated to continue to pay operating subsidies to the Transit, Commuter or MTA Bus 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 NRMSIR with which the State was required to file, and the State has committed to update that information to the holders of its general obligation bonds, in the manner specified in SEC Rule 15c2-12. Prospective purchasers of the Transportation Revenue Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of the Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

SECURITY

General

The Transportation Revenue Bonds, including the Series 2006B Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution.

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

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Where to Find Information."

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 Amended and Restated Interagency Agreement dated as of April 1, 2006, among MTA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA New York City Transit, MaBSTOA and MTA Bus.

The Trustee may directly enforce an undertaking to operate the Transit System, the Commuter System or the MTA Bus System to ensure compliance with the Transportation Resolution.

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

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

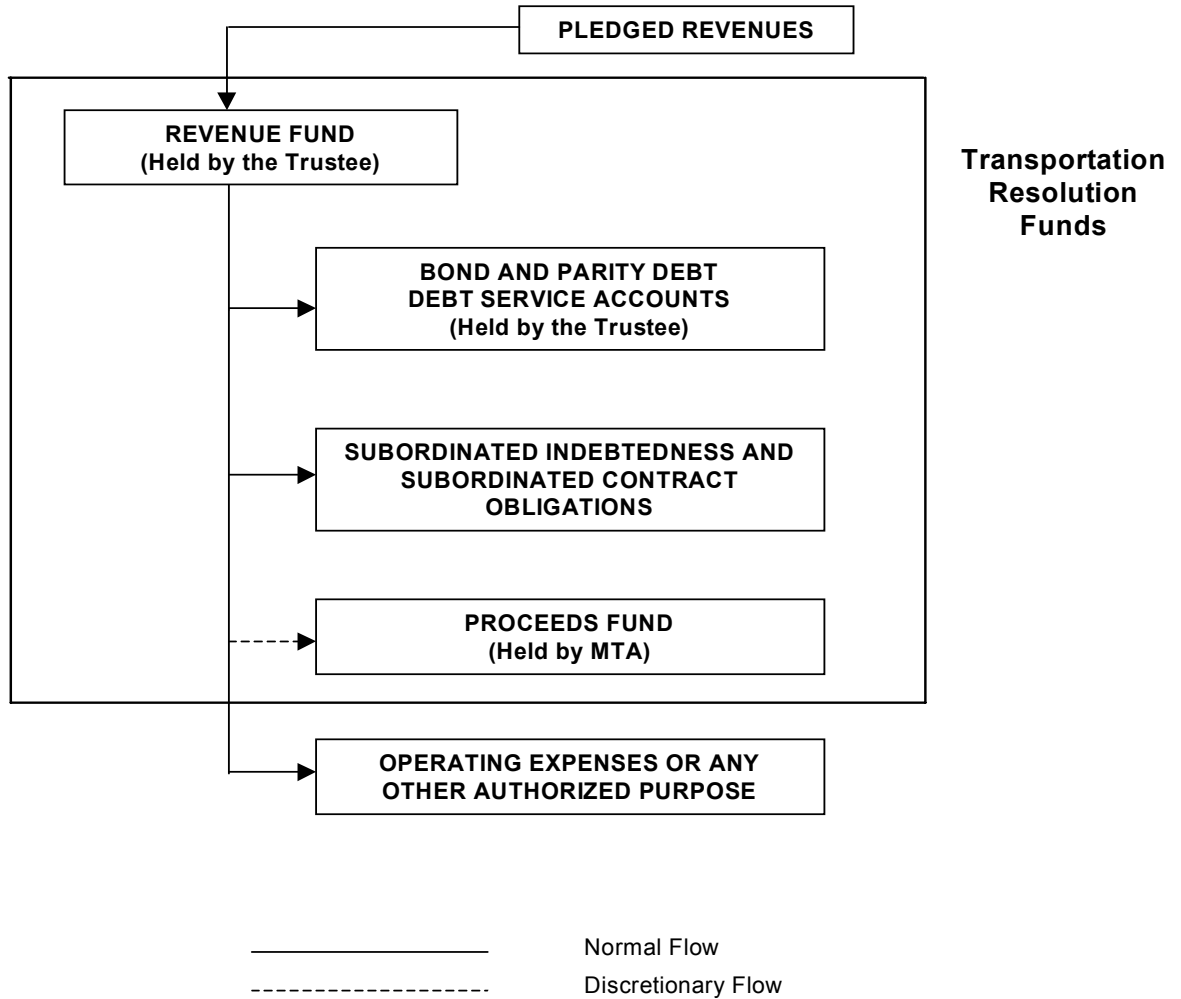
- to the debt service accounts, the net amount, if any, required to make the amount in the debt service accounts equal to the accrued debt service for Transportation Revenue Bonds and Parity Debt to the last day of the current calendar month;
- to pay, or accrue to pay, principal of and interest on any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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

See “SOURCES OF PAYMENT - Factors Affecting Revenues” above.

Operating and Maintenance Covenants.

- MTA, MaBSTOA, MTA New York City Transit, MTA Metro-North Railroad, MTA Long Island Rail Road and MTA Bus are required at all times to operate, or cause to be operated, the systems properly and in a sound and economical manner and maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition.
- Nothing in the Transportation Resolution prevents MTA from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the systems if, in MTA’s judgment it is advisable to do so, but only if the operation is not essential to the maintenance and continued operation of the rest of the systems and this arrangement does not materially interfere with MTA’s ability to comply with MTA’s rate covenants.

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

There is no covenant with bondholders limiting the aggregate principal amount of additional Transportation Revenue Bonds or Parity Debt that MTA may issue. There is a limit under current New York law that covers the Transportation Revenue Bonds and certain other securities. See Part 4 of **Appendix A** under the caption “GENERAL – Financing of Capital Projects and Statutory Ceiling” for a description of the current statutory cap.

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

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

No Bankruptcy. New York law specifically prohibits MTA, its Transit System affiliates, its Commuter System subsidiaries or MTA Bus 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 2006B BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2006B Bonds.

TAX MATTERS

General

Nixon Peabody LLP is Bond Counsel for the Series 2006B 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 2006B 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 2006B 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 2006B Bonds are delivered.

The Internal Revenue Code of 1986 imposes requirements on the Series 2006B Bonds that MTA must continue to meet after the Series 2006B Bonds are issued. These requirements generally involve the way that Series 2006B Bond proceeds must be invested and ultimately used. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2006B 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 2006B 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 2006B 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. Although not possible to predict, it is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2006B Bonds or affect the market price of the Series 2006B 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 2006B Bonds or under State, local or foreign tax law.

Original Issue Discount

Each maturity of the Series 2006B Bonds will have “original issue discount” if the price first paid by the bondholders for a substantial amount of the Series 2006B Bonds is less than the principal amount of these Series 2006B Bonds. Bond Counsel’s opinion is that the original issue discount on these Series 2006B Bonds as it accrues is excluded from 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 2006B Bonds will be increased. Bond Counsel’s opinion is also that the original issue discount on these Series 2006B 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 2006B Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium

If a bondholder purchases a Series 2006B Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2006B 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 that Series 2006B Bond will be reduced. The holder of a Series 2006B Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2006B Bond with bond premium, even though the Series 2006B Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2006B Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Samuel Klein and Company, Certified Public Accountants (the Verification Agent). These computations, which were provided by J.P. Morgan Securities Inc., indicate (i) the sufficiency of the receipts from the Government Obligations together with an initial cash deposit, to pay at early redemption date, the principal of and interest on the Refunded Bonds, and (ii) the yields to be considered in determining that the Series 2006B Bonds are not “arbitrage bonds” under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by J.P. Morgan Securities Inc. and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

LEGALITY FOR INVESTMENT

The MTA Act provides that the Series 2006B Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

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

Certain of those investors, however, may be subject to separate restrictions that limit or prevent their investment in the Series 2006B 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 MTA New York City Transit, MaBSTOA, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in Part 5 of **Appendix A** under the caption "LITIGATION," as that filing may be amended or supplemented to date.

FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2006B Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2006B 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 2006B Bonds.

UNDERWRITING

The Underwriters for the Series 2006B Bonds, acting through J.P. Morgan Securities Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2006B Bonds described on the inside cover of this official statement at an aggregate purchase price of \$742,224,571.45, reflecting a net original issue premium of \$28,205,689.65 and an Underwriters' discount of \$3,711,118.20, and to reoffer such Series 2006B Bonds at the public offering prices or yields set forth on the inside cover.

The Series 2006B Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2006B 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 to purchase the Series 2006B Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2006B Bonds if any Series 2006B Bonds are purchased.

RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2006B Bonds. Those expected ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
One State Street Plaza	99 Church Street	55 Water Street
New York, New York 10004	New York, New York 10007	New York, New York 10041
(212) 908-0500	(212) 553-0300	(212) 438-2000

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

The expected ratings on the FSA Insured Bonds identified on the inside cover reflect the ratings of Financial Security.

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, MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Underwriters as indicated in the Summary of Terms.

CONTINUING DISCLOSURE

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

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

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

MTA has also contracted with Digital Assurance Corporation (DAC), a dissemination agent recognized as such by the SEC to perform certain of the foregoing functions. In addition, as described in **Attachment 2**, MTA may file its information with the Texas Municipal Advisory Council provided at www.disclosureusa.org.

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

ATTACHMENT 1

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2006B Bonds. The Series 2006B 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 2006B Bond will be issued for each maturity of the Series 2006B 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 2006B Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series 2006B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006B 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 2006B 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 2006B Bonds, except in the event that use of the book-entry system for the Series 2006B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2006B 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 2006B 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 2006B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006B 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 2006B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006B Bond documents. For example, Beneficial Owners of the Series 2006B Bonds may wish to ascertain that the nominee holding the Series 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit 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, 2006 (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 2006B Bonds to provide or cause to be provided, either directly or through the Trustee, audited consolidated financial statements of MTA New York City Transit 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, 2006, when and if such audited financial statements become available and, if such audited financial statements of either MTA New York City Transit or MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of MTA New York City Transit or MTA for such fiscal year. MTA New York City Transit'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 MTA New York City Transit cease to be separately published, the obligation of 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. "TRANSIT SYSTEM,"
 - b. "RIDERSHIP AND FACILITIES USE – Transit System (MTA New York City Transit and MaBSTOA) Ridership,"
 - c. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Transit System,"
 - d. "COMMUTER SYSTEM,"
 - e. "RIDERSHIP AND FACILITIES USE – Commuter System Ridership,"
 - f. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Commuter System,"
 - g. "MTA BUS COMPANY," and
 - h. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – MTA Bus."
4. information regarding the Capital Programs of the Related Transportation Entities, including information of the type included in Appendix A under the caption "FINANCIAL PLANS AND 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, MTA New York City Transit 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 in **Appendix A** under the caption "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 cross-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 2006B Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption "CONTINUING DISCLOSURE" in this Official Statement with respect to the Series 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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 2006B 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.

MTA may satisfy its obligations to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the MAC) as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC if and to the extent the agent has received a "no action" letter, which has not been revoked, from the SEC to the effect that enforcement action would not be recommended on account of using the agent, and not such NRMSIR or SID, as the source of information in determining compliance with the Rule.

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ATTACHMENT 3

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2006B Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (“MTA”) and other proofs submitted to us relative to the issuance of \$717,730,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2006B Bonds (collectively, the “Series 2006B 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 2006B Bonds are issued under and pursuant to the Constitution and statutes of the State (the “State”), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the “Issuer Act”), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled “General Resolution Authorizing Transportation Revenue Obligations,” as supplemented by a resolution of said members adopted on January 25, 2006 (collectively, the “Resolution”).

A portion of the proceeds of the Series 2006B Bonds is being used to refund certain outstanding bonds of MTA issued pursuant to the Resolution, such bonds having been issued in two series as described in the hereinafter defined Escrow Agreement as being refunded with proceeds of the Series 2006B Bonds (the “Refunded Bonds”). A portion of the proceeds of the Series 2006B Bonds (the “Defeasance Deposit”) has been used to purchase direct obligations of the United States of America in an aggregate amount sufficient, together with any amounts held uninvested, to pay when due the principal or applicable redemption price of and interest due and to become due on said Refunded Bonds (the “Defeasance Requirement”). Such Defeasance Deposit is being held in trust under an escrow agreement, dated December 20, 2006 (the “Escrow Agreement”), by and between MTA and The Bank of New York, as escrow agent thereunder and as Trustee under the Resolution. MTA has given the Trustee, in form satisfactory to such Trustee, irrevocable instructions to give notice in accordance with the Resolution of the redemption of those Refunded Bonds being redeemed prior to maturity and the deposit of the Defeasance Deposit. Samuel Klein and Company, Certified Public Accountants has prepared a report stating that they have reviewed the accuracy of the mathematical computations of the adequacy of the Defeasance Deposit, as invested, to pay in full the Defeasance Requirement when due. We have undertaken no independent verification of the adequacy of the Defeasance Deposit.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2006B Bonds in order that interest on the Series 2006B 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 MTA, dated the date hereof (the “Tax Certificate”), in which 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 2006B Bonds, including,

but not limited to, certain representations with respect to the use of the proceeds of the Series 2006B Bonds and the investment of certain funds. The Tax Certificate obligates MTA to take certain actions necessary to cause interest on the Series 2006B 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 2006B 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. MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2006B Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2006B Bonds and compliance by MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have also examined one of said Series 2006B Bonds as executed and, in our opinion, the form of said Series 2006B 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 2006B 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 2006B 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 2006B Bonds.

4. MTA, the holders of the Series 2006B Bonds, or the holders of any evidence of indebtedness of MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2006B 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 2006B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2006B 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.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2006B Bonds maturing on November 15, 2036 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2006B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

7. Under existing statutes, interest on the Series 2006B Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

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

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

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2006B 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 2006B 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 2006B 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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APPENDIX 4

INFORMATION RELATING TO FINANCIAL SECURITY ASSURANCE INC.

General

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

Other than with respect to the following information and the specimen FSA Insurance Policy herein, none of the information in this official statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2006B Bonds; or (iii) the tax exempt status of the interest on the Series 2006B Bonds.

Bond Insurance Policy

Concurrently with the issuance of the Series 2006B Bonds, Financial Security will issue the FSA Insurance Policy for those maturities of the Series 2006B Bonds identified as being insured by Financial Security on the inside cover hereof (collectively, the FSA Insured Bonds). The FSA Insurance Policy insures the scheduled payment of principal of and interest on the FSA Insured Bonds when due as set forth in the form of the FSA Insurance Policy included in this **Attachment 4**.

The FSA Insurance Policy is not covered by any insurance security or guaranty fund established under New York insurance law.

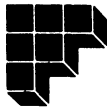
Financial Security Assurance Inc.

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

At September 30, 2006, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,581,107,000 and its total net unearned premium reserve was approximately \$1,992,163,000 in accordance with statutory accounting principles. At September 30, 2006, Financial Security's consolidated shareholder's equity was approximately \$3,058,987,000 and its total net unearned premium reserve was approximately \$1,590,538,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference into this official statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this official statement and before the termination of the offering of the Series 2006B Bonds shall be deemed incorporated by reference into this official statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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



**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: \$

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

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

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

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)

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