

## OFFERING MEMORANDUM

**BOOK-ENTRY-ONLY**

**Ratings: Moody's: P-1**  
**S&P: A-1+**  
**Fitch: F1+**

*For a discussion of the tax-status of the Notes, see "TAX MATTERS" herein.*



**\$450,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Transportation Revenue Bond Anticipation Notes,**  
**Series CP-1 Credit Enhanced**  
**\$225,000,000 Subseries A**                      **\$225,000,000 Subseries B**

The Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes") offered hereby are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the "Resolution"), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of the Notes.

The Notes are being issued to finance transit and commuter projects.

In connection with the Notes, MTA has entered into a Letter of Credit and Reimbursement Agreement with ABN AMRO Bank N.V. (the "Bank"), pursuant to which the Bank will issue in favor of the Issuing and Paying Agent an irrevocable direct pay Letter of Credit expiring on December 8, 2010 in order to pay principal and interest (calculated at the rate of 10% per annum for a period of 90 days and based on a year of 360 days) due on the Notes as provided therein.

To the extent not paid from the proceeds of draws under the Letter of Credit, the principal of and interest on the Notes are payable solely from the proceeds of (1) other Notes, (2) the Series CP-1 Bonds, and (3) though not pledged therefor, notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of bonds or parity obligations issued under the Resolution. See "SECURITY FOR THE NOTES".

**The Notes are not a debt of the State of New York, The City of New York or any other local government unit, and the State, the City and other local government units are not liable thereon. MTA has no taxing power.**

The Notes will be executed and delivered only as fully registered notes without coupons, in the principal amount of \$100,000 and additional increments of \$1,000 above \$100,000. The Notes will be initially executed and delivered under a book-entry-only system and will be registered in the name of Cede & Co., as Noteholder and Securities Depository Nominee of The Depository Trust Company, New York, New York. Principal and interest on the Notes will be payable through JPMorgan Chase Bank, N.A., acting as Issuing and Paying Agent.

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 Notes. Investors are advised to read the entire Offering Memorandum, including any portion hereof included by specific reference, to obtain information essential to the making of an informed decision.

**BEAR, STEARNS & CO. INC.**  
*(Dealer for Subseries A)*

**MORGAN STANLEY**  
*(Dealer for Subseries B)*

March 17, 2006

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

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David S. Mack.....	Vice-Chairman
Andrew B. Albert.....	Non-Voting Member
John H. Banks III.....	Member
James F. Blair.....	Non-Voting Member
Nancy Shevell Blakeman.....	Member
Anthony J. Bottalico.....	Non-Voting Member
Michael J. Canino.....	Non-Voting Member
Donald Cecil.....	Member
Barry L. Feinstein.....	Member
James H. Harding, Jr.....	Member
Susan L. Kupferman.....	Member
Mark D. Lebow.....	Member
James L. McGovern.....	Non-Voting Member
Susan G. Metzger.....	Member
Mark Page.....	Member
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- **No Unauthorized Offer.** This offering memorandum is not an offer to sell, or the solicitation of an offer to buy, the Notes, 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 Notes, except as set forth in this offering memorandum. No other information or representations should be relied upon.
- **No Contract or Investment Advice.** This offering memorandum is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this offering memorandum and the Notes being offered, or anything else related to this note 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 offering memorandum 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 offering memorandum, 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 offering memorandum.
- **Projections.** The projections set forth in this offering memorandum 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 offering memorandum 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 offering memorandum, 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 Dealers.** The Dealers have provided the following sentence for inclusion in this offering memorandum: The Dealers have reviewed the information in this offering memorandum 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 Dealers do not guarantee the accuracy or completeness of such information.
- **Bank Information.** Other than with respect to information concerning the Bank contained in Attachment 1 of this offering memorandum, none of the information in this offering memorandum has been supplied or verified by the Bank and the Bank does not make any representation or warranty, express or implied, as to
  - the accuracy or completeness of information it has neither supplied nor verified,
  - the validity of the Notes, or
  - the tax-exempt status of the interest on the Notes.
- **SEC Rule 15c2-12.** SEC Rule 15c2-12 does not require MTA to enter into a written agreement for the benefit of holders of the Notes to provide continuing disclosure. MTA regularly files continuing disclosure in connection with other debt offerings.

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**Information Included by Specific Cross-Reference.** The following portions of MTA’s 2005 Combined Continuing Disclosure Filings, dated April 29, 2005, and filed with the repositories identified in the “INTRODUCTION” to this offering memorandum, are included by specific cross-reference in this offering memorandum, along with material that updates this offering memorandum 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 each delivery date of Notes, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2004 and 2003
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2004 and 2003.

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

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

**OFFERING MEMORANDUM**

**\$450,000,000**

**METROPOLITAN TRANSPORTATION AUTHORITY  
TRANSPORTATION REVENUE BOND ANTICIPATION NOTES,  
SERIES CP-1 CREDIT ENHANCED**

**\$225,000,000 Subseries A**

**\$225,000,000 Subseries B**

**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 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 (“MSBA”); the MTA Bus Company and the MTA Capital Construction Company. MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA.

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 following table sets forth the legal and popular names of the Related Entities. Throughout this offering memorandum, 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

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

MTA and the other Related Entities are described in detail in **Appendix A** to MTA's 2005 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this offering memorandum.

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

### **Where to Find Information**

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

***Bloomberg Municipal Repository***

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

***FT Interactive Data***

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

***DPC Data Inc.***

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

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

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

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this offering memorandum. In addition, MTA may file information with the repositories after the date of this offering memorandum that is intended to update information contained herein. 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 offering memorandum. **This offering memorandum, 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 Notes.**

**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

**Transit Labor Contract.** In December 2005, after the expiration of a three-year contract, members of the various unions representing the overwhelming majority of transit workers went on strike for three days in violation of the State's Taylor Law, which prohibits strikes by certain public employees. A negotiated settlement was subsequently reached, but the settlement was rejected by the members of TWU Local 100, which represents over 70% of the represented workers. MTA petitioned the State Public Employment Relations Board ("PERB") for binding arbitration and TWU Local 100 filed papers opposing binding arbitration. PERB is currently considering its staff's recommendation to order binding arbitration. A number of the smaller transit unions have accepted the terms of the original December 2005 settlement.

**2006-2009 Financial Plan.** In February 2006, MTA, on behalf of the Related Entities, released its updated financial plan for the years 2006-2009 (the "2006-2009 Financial Plan") that includes a final budget for 2006 that was approved by the MTA Board in December 2005 (the "2006 Budget") and a financial plan for the years 2007-2009. Copies of the 2006-2009 Financial Plan, which includes the 2006 Budget, are posted on MTA's website ([www.mta.info](http://www.mta.info)).

MTA projects, in the 2006-2009 Financial Plan with respect to the Related Entities, the following, after taking into consideration the application of MTA Bridges and Tunnel's operating surplus to mass transit:

- MTA is projecting for 2005 a baseline cash surplus, before gap closing and other actions that were implemented at the end of 2005, of \$1,062 million. As approved by the MTA Board, \$600 million of the 2005 surplus funds have been set aside to cover the following policy actions: \$50 million for customer fare programs (i.e., the holiday fare initiatives); \$100 million for capital security additions (ensuring that existing projects remain on schedule and funding immediate capital needs, such as CCTV cameras in 60 subway stations and on buses as a pilot program, adding Emergency Exit release devices on gates in subway stations and installing subway car seat locks); and \$450 million to reduce unfunded pension liabilities, which is expected to generate approximately \$42 million in annual operating savings. The holiday fare initiatives ended in early 2006 and MTA is awaiting a final evaluation of its cost. Implementation of a portion of the capital security additions has begun. MTA has not yet applied any moneys to reduce the unfunded pension liabilities. Assuming the \$600 million is fully applied as described above, the net cash surplus for 2005 would be \$462 million.
- MTA is projecting a baseline cash surplus in 2006 before gap closing and other actions of \$625 million, which assumes that the \$600 million set aside for policy actions in 2005 is not spent as described in the preceding paragraph, but is instead carried over into 2006 as additional cash surplus. The 2006 Budget contains a provision for \$50 million for customer fare programs similar to the 2005 holiday initiatives, but the implementation of such program is subject to a final evaluation of the 2005 program. The 2006 baseline cash surplus also assumes that the \$200 million real estate tax stabilization fund established in 2004 is available. Assuming the \$600 million set aside in 2005 is fully applied for those policy actions described in the preceding paragraph, that the customer fare programs are implemented in 2006 and that the real estate tax stabilization fund is available in 2006, the projected net cash surplus for 2006 would be \$217 million.
- MTA is projecting baseline cash deficits before gap closing and other actions in 2007, 2008 and 2009 of \$32 million, \$1,099 million and \$1,501 million, respectively. These projected baseline deficits begin in 2007 and increase annually thereafter for two primary reasons: first, the plan assumes that the baseline expenses grow at a faster rate than revenues, and second, the 2005 cash surplus of \$1,062 million is reduced from 2005 to 2006 and totally depleted by 2007.

- In the event that the gap closing and other actions are fully implemented as described in the preceding two paragraphs (which results in \$42 million in annual operating savings from the reduction in the unfunded pension liabilities) and certain additional gap closing actions are implemented beginning in 2007, including a 5% increase in yield in the fares and tolls in 2007 and in 2009, the projected net cash deficits for 2007, 2008 and 2009 are \$154 million, \$797 million and \$934 million, respectively.

Other than normal growth in expenses due to inflation, the major portions of the projected deficits are caused by substantial growth in debt service costs, additional pension contributions, additional health and welfare benefit costs and the loss of non-recurring subsidies, notably lower future yields from real estate related taxes, and cash adjustments.

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

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

On November 8, 2005, the voters approved the issuance of New York State general obligation bonds, \$1.45 billion of the proceeds of which is one of the expected funding sources for the 2005-2009 Transit and Commuter Capital Programs.

In December 2005, the MTA Board approved certain revisions to the 2000-2004 Transit and Commuter Capital Program that do not need Review Board approval. In January 2006, the MTA Board approved certain revisions to the 2005-2009 Transit and Commuter Capital Program and such revisions have been approved by the Review Board.

***Property Insurance Renewal Effective October 31, 2005.*** On October 31, 2005, MTA’s captive insurance company, First Mutual Transportation Assurance Company (“FMTAC”), renewed its property insurance policy with the following general terms:

- FMTAC 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 and European marketplaces for this coverage.
- As a consequence of the severe contraction in available market capacity at reasonable premium levels, FMTAC has not fully reinsured all 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 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	36.8	13.2
175 – 400	164.0	61.0
400 – 700	224.2	75.8
700 – 1,000	80.5	219.5
<u>1,000 – 1,250</u>	<u>250.0</u>	<u>0.0</u>
Total	\$855.5	\$394.5

- The property insurance, which is subject to annual renewal on October 31, provides replacement cost coverage for 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. The remaining 10% of MTA losses would be covered under an additional policy described in the next paragraph. TRIA coverage is provided 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, MTA 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).

## General

Bear, Stearns & Co. Inc. has been initially appointed to serve as the dealer for the \$225,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries A (the “Subseries A Notes”), and Morgan Stanley & Co. Incorporated (Bear, Stearns & Co. Inc. and Morgan Stanley & Co. Incorporated being collectively referred to herein as the “Dealers”) has been initially appointed to serve as the dealer for the \$225,000,000 Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced, Subseries B (the “Subseries B Notes”, the Subseries B Notes and the Subseries A Notes being collectively referred to herein as the “Notes”). The Notes are issued in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations of MTA adopted on March 26, 2002, as supplemented (such General Resolution Authorizing Transportation Revenue Obligations as from time to time amended or supplemented being herein called the “Resolution”), including as supplemented by the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution (the “Commercial Paper Resolution”) adopted by MTA on May 30, 2002 authorizing the issuance at one time, or from time to time, of the Notes.

The Notes are being issued in anticipation of the issuance of bonds (the “Series CP-1 Bonds”) pursuant to the Series CP-1 Transportation Revenue Bond Supplemental Resolution (the “Series CP-1 Bonds Supplemental Resolution”) adopted by MTA on May 30, 2002 as a supplemental resolution in accordance with the Resolution. The Series CP-1 Bonds are authorized to be issued in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Parity Debt (as hereinafter described) to their stated maturity dates.

Under the Commercial Paper Resolution, the aggregate principal amount of Notes outstanding at any time may be increased or decreased, provided that at no time may the aggregate principal amount outstanding be in excess of the lesser of (1) the principal component of the Letter of Credit hereinafter described and (2) \$750 million. The Notes will be issued under the Issuing and Paying Agency Agreement, dated as of March 24, 2006 (the “Issuing and Paying Agency Agreement”), between MTA and JPMorgan Chase Bank, N.A., acting as Issuing and Paying Agent (the “Issuing and Paying Agent”).

## THE NOTES

### **Purpose of the Notes**

The proceeds of the Notes may be used to (1) finance the costs of equipment for and improvements to the subway and bus systems operated by MTA New York City Transit and its subsidiary, MaBSTOA, (2) finance the costs of equipment for and improvements to the commuter rail facilities operated by MTA’s subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad, (3) pay principal and interest on other outstanding Notes, (4) reimburse ABN AMRO Bank N.V. (the “Bank”) for draws on its irrevocable direct pay letter of credit (the “Letter of Credit”), and (5) fund capitalized interest on the Notes. It is expected that MTA Bus will be added to the Transportation Resolution as an Additional Related Transportation Entity and that such action will allow the proceeds of the Notes to be used to finance the costs of MTA Bus equipment and improvements to MTA Bus facilities.

### **Description of the Notes**

The Notes will be dated the date of their respective authentication, will be issued as interest-bearing obligations in denominations of \$100,000 and additional increments of \$1,000 above \$100,000 and, except as described below, will be issued in book-entry-only form through the book-entry-only system of The Depository Trust Company (“DTC”). See **Attachment 2** – “BOOK-ENTRY-ONLY SYSTEM”. Each Note will bear interest from its date of issuance at the rate determined at the date of issuance (which may not exceed 12% per annum) and payable at maturity. The Notes are not callable prior to maturity.

The Notes will mature no later than 270 days from their date of issuance; provided that, so long as the Letter of Credit is in effect, no Notes may be issued with a maturity date after the stated expiration date of the Letter of Credit or after the stated expiration date of a substitute Letter of Credit. Interest is computed on the basis of a 365 or 366-day year, and the actual number of days elapsed. The principal of and interest on the Notes in book-entry-only form will be paid at maturity to DTC and distributed by it to its Participants as described in **Attachment 2** – “BOOK-ENTRY-ONLY SYSTEM”.

## SECURITY FOR THE NOTES

### General

The principal of and interest on the Notes are payable solely from the proceeds of (1) draws under the Letter of Credit, (2) other Notes, (3) the Series CP-1 Bonds, and (4) though not pledged therefor, notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of bonds or parity obligations issued under the Resolution. Pursuant to the Series CP-1 Bonds Supplemental Resolution, MTA has authorized the issuance of the Series CP-1 Bonds in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Parity Debt to their stated maturity dates.

**The Notes are not a debt of the State of New York, The City of New York or any other local government unit, and the State, the City and other local government units are not liable thereon. MTA has no taxing power.**

MTA expects to pay the principal of and interest on the Notes with the proceeds of draws under the Letter of Credit, and to immediately reimburse the Bank for such draws with the proceeds of the remarketing of additional Notes and other available moneys (in the case of interest) until MTA provides for permanent financing of the projects initially financed with the proceeds of the Notes either by the issuance of the Series CP-1 Bonds or other long-term bonds issued under the Resolution or with Federal grants.

MTA may substitute another letter of credit for the Letter of Credit, provided that each rating agency then rating the Notes has sent to MTA written notice to the effect that such substitution will not, by itself, result in a reduction, withdrawal or suspension of such rating agency's ratings of the Notes from those which then prevail, and MTA provides at least 15 days' prior notice of the substitution thereof to the Noteholders and the Dealers.

### Letter of Credit and Security for the Bank

*Letter of Credit.* In connection with the Notes, MTA has entered into a Letter of Credit and Reimbursement Agreement with the Bank, pursuant to which the Bank will issue an irrevocable direct pay Letter of Credit expiring on December 8, 2010 in favor of the Issuing and Paying Agent in order to pay principal and interest (calculated at the rate of 10% per annum for a period of 90 days and based on a year of 360 days) due on the Notes as provided therein. Upon issuance, the stated amount of the Letter of Credit will be \$461,250,000.

For information relating to the Bank, see **Attachment 1** – “ABN AMRO BANK N.V.”.

*Bank Notes.* Pursuant to the Commercial Paper Resolution, MTA has authorized the issuance of Metropolitan Transportation Authority Transportation Revenue Bond Anticipation Notes, Bank Series CP-1 (the “Bank Notes”) in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes to their stated maturity dates in the event the Notes cannot be remarketed. The Bank has agreed to hold the Bank Notes for up to 90 days, at which time, if the Notes still cannot be remarketed, MTA's obligations to the Bank will constitute Bank Parity Debt as hereinafter described. The Bank Notes are payable solely from (i) the moneys and securities (if any) on deposit in the Series CP-1 Bank Reimbursement Fund created under the Commercial Paper Resolution, (ii) the proceeds of Bank Parity Debt, (iii) the proceeds of the Series CP-1 Bonds, and (iv) though not pledged therefor, the proceeds of notes or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to pay Bank Notes.

There shall be deposited into the Series CP-1 Bank Reimbursement Fund those proceeds of the Notes which are to be used to reimburse the Bank for draws under the Letter of Credit, as well as any other amounts provided in the sole discretion of MTA that are lawfully available therefor.

*Bank Parity Debt.* MTA has authorized the incurrence of Parity Debt under the Resolution in an amount sufficient to pay principal of and interest accrued and to accrue on all Notes and Bank Notes to their stated maturity dates. The Bank Parity Debt is secured in the same manner as Obligations and other Parity Debt issued under the Resolution.

## LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of MTA, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance or delivery of the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds, or in any way questioning or affecting: (i) the proceedings authorizing the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds, or (ii) the validity of any provision of the Notes, the Bank Notes, the Bank Parity Debt or the Series CP-1 Bonds or the Resolution.

MTA, its affiliates and subsidiaries are defendants in numerous claims and actions. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the Notes. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** under the caption "LITIGATION."

## TAX MATTERS

Hawkins Delafield & Wood LLP is Bond Counsel for the Notes. Their opinion under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, is that interest on the Notes is:

- excluded from a noteholder's federal gross income under the Internal Revenue Code of 1986,
- not a preference item for a noteholder 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 Notes is exempt from personal income taxes of New York State and any political subdivisions of the State. See **Attachment 3** to this offering memorandum for the form of the opinion that Bond Counsel expects to deliver when the Notes are delivered.

The Internal Revenue Code imposes requirements on the Notes that MTA must continue to meet after the Notes are issued. These requirements generally involve the way that Note proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a noteholder may have to include interest on the Notes 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 noteholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Notes. This is possible if a noteholder 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 Notes.

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

Their opinion may continue to be relied upon as to Notes issued subsequent to the date of their opinion only to the extent described in the form of the opinion found in **Attachment 3** to this offering memorandum.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events could change the tax treatment of the interest on the Notes or affect the market price of the Notes. 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 exclusion from gross income for federal income tax purposes of interest on the Notes, or under State, local and foreign tax law.

### **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Notes are securities in which the following investors may properly and legally invest funds, including capital in its control or belonging to it:

- 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 Notes.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization and issuance of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to MTA. Certain legal matters are subject to the approval of the General Counsel to MTA and of White & Case LLP, Counsel to the Bank.

### **RATINGS**

The Notes have been rated “P-1” by Moody’s Investors Service, “A-1+” by Standard & Poor’s Ratings Services and “F1+” by Fitch Ratings with the understanding that upon delivery of the Notes the Bank will issue the Letter of Credit. MTA has not applied for a rating on the Notes not secured by the Letter of Credit. The rating agencies may have obtained and considered information and material that have not been included in this Offering Memorandum. Generally, the rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them. The ratings are not a recommendation to buy, sell or hold the Notes. The ratings reflect only the views of the rating agencies and an explanation of the significance of such ratings may be obtained from them. No assurance can be given that the ratings will be maintained for any given period of time or that the ratings may not be revised downward or withdrawn entirely by the rating agencies, if, in their judgment, circumstances warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Notes. The Dealers, the Bank and MTA have undertaken no responsibility after the offering of the Notes to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

## **ADDITIONAL INFORMATION**

The references herein to the Letter of Credit, the Letter of Credit and Reimbursement Agreement, the Resolution, the Commercial Paper Resolution, the Series CP-1 Bonds Supplemental Resolution and the Issuing and Paying Agency Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents for full and complete statements of such documents. Copies of such documents are on file at, and may be obtained from, the office of MTA at the location set forth above under “INTRODUCTION – Where to Find Information”.

**ABN AMRO BANK N.V.**

*The information contained in this Attachment relates to and has been obtained from ABN AMRO. The delivery of the offering memorandum shall not create any implication that there has been no change in the affairs of ABN AMRO since the date hereof, or that the information contained or referred to in this Attachment is correct as of any time subsequent to its date. No representation is made by MTA, MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bus, the Dealers or any of their counsel as to the accuracy, completeness or adequacy of the information contained in this Attachment.*

ABN AMRO Holding N.V. is an international multi-bank holding company, the sole direct subsidiary of which is ABN AMRO Bank N.V. (“ABN AMRO” or the “Bank”). ABN AMRO was created through the merger of Algemene Bank Nederland N.V. (“ABN”) and Amsterdam-Rotterdam Bank N.V. (“AMRO”), the two largest commercial banks in the Netherlands, in 1991. The origins of ABN AMRO date to a Royal Decree issued March 25, 1824 and an Instrument of Incorporation issued February 7, 1825. In the Netherlands, ABN AMRO files periodic reports with *De Nederlandsche Bank*, the Dutch Central Bank, in accordance with Dutch legal requirements. The Bank’s principal U.S. regulator is the Federal Reserve Bank of Chicago.

ABN AMRO Bank N.V. is one of the world’s largest banks. ABN AMRO ranks 11th in Europe and 20th in the world based on tier 1 capital, with over 3,000 branches in more than 60 countries. ABN AMRO has staff of more than 97,000 full time equivalents and total assets of €899.3 billion (as at 30 September 2005).

The Bank focuses on consumer and commercial clients in its local markets and globally on select multinational corporations and financial institutions, as well as private clients. The Bank is active in four principal customer segments: Personal Banking, Private Banking, Business and Commercial and Corporate and Institutional.

The Bank implements its strategy through a number of Business Units (“BUs”). These units are responsible for managing a distinct region, client segment or product segment, while also sharing expertise and operational excellence across the Group. There are five regional Client BUs: the Netherlands, Europe, North America, Latin America and Asia. These BUs serve about 20 million consumer clients and small to larger businesses worldwide. There are two global Client BUs to serve clients with global needs. The BU Private Clients provides private banking services to wealthy individuals and families and has €127 billion in assets under administration (as at 30 September 2005). The BU Global Clients serves the Bank’s 550 multinational clients. The Bank has three Product BUs: Global Markets, Asset Management and Transaction Banking. Global Markets develops products for commercial clients across the globe. Transaction Banking is the Bank’s product organization covering all payments and trade for retail, private client, and commercial markets. ABN AMRO Asset Management, one of the world’s leading asset managers, operates from over twenty locations worldwide and manages €173.2 billion (as at 30 September 2005) of assets for private investors and institutional clients.

ABN AMRO operates banking offices in Boston, Chicago, Houston, Miami, New York, San Francisco and Seattle. These U.S. banking offices are subject to periodic examinations by state and federal bank regulatory agencies. The Bank’s Canada Branch is based in Toronto with offices in Montreal and Vancouver. ABN AMRO Bank (Mexico) S.A., located in Mexico City, is a subsidiary of ABN AMRO Bank N.V. The Canadian and Mexican operations are subject to periodic examinations by bank regulatory agencies from such countries. The Bank’s broker-dealer subsidiaries in the U.S. include ABN AMRO Incorporated and LaSalle Financial Services, Inc.

In North America, ABN AMRO is headquartered in Chicago. The Bank is the parent company of LaSalle Bank N.A. and LaSalle Bank Midwest N.A., which serve individuals, small businesses, middle market companies and institutions in the United States. LaSalle Bank N.A. has been a leading Chicago financial institution since 1927.

Information regarding the Bank may be obtained by contacting:

ABN AMRO Bank N.V.  
Investor Relations (HQ 9141)  
P.O. Box 283  
1000 EA Amsterdam  
The Netherlands  
Tel. +31 20 628 7835  
Fax +31 20 628 7837  
[www.abnamro.com](http://www.abnamro.com)  
[investorrelations@nl.abnamro.com](mailto:investorrelations@nl.abnamro.com)

**BOOK-ENTRY-ONLY SYSTEM**

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

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

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

4. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them

of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Issuing and Paying Agent, 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 Issuing and Paying Agent 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 Issuing and Paying Agent, 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 Notes at any time by giving reasonable notice to MTA or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Notes 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 Notes will be printed and delivered

NOTWITHSTANDING THE FOREGOING, AS NOTED IN THIS OFFERING MEMORANDUM, THE NOTES ARE NOT CALLABLE PRIOR TO MATURITY.

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.

**FORM OF BOND COUNSEL OPINION**

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

March \_\_, 2006

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

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to its issuance from time to time of Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced (the "Notes"), the outstanding principal amount of which may not exceed at any time the lesser of (i) the Principal Component (as defined in the hereinafter defined Letter of Credit) available under the Letter of Credit or any substitute letter of credit and (ii) \$750 million. The Notes are more particularly described below.

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 Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated March 24, 2006 (the "Arbitrage and Use of Proceeds Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Notes, including, but not limited to, certain representations with respect to the use of the proceeds of the Notes and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Notes from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Notes, and (ii) compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

In connection with the issuance of the Notes, the MTA has entered into a Letter of Credit and Reimbursement Agreement, dated as of March 24, 2006, with ABN AMRO Bank, N.V. (the "Bank"), pursuant to which the Bank on the date hereof has issued its irrevocable direct pay Letter of Credit (the "Letter of Credit") in order to pay principal and interest due on the Notes as provided therein.

We are of the opinion that:

1. The MTA is a validly existing public benefit corporation under the Constitution and laws of the State of New York (the "State"), and such record of proceedings and proofs show lawful authority for the issuance of said Notes pursuant to the Metropolitan Transportation Authority Act, Title 11 of Article 5 of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the "Issuer Act"), and the General Resolution Authorizing Transportation Revenue Obligations of the MTA, adopted on March 26, 2002, as supplemented, including as supplemented by the Series CP-1 Transportation Revenue Bond Supplemental Resolution and the Series CP-1 Transportation Revenue Bond Anticipation Note and Related Parity Debt Supplemental Resolution (the "Note Resolution"), each adopted on May 30, 2002 (such General Resolution Authorizing Transportation Revenue Obligations as from time to time supplemented by said and other supplemental resolutions being herein called the "Resolution").

2. The MTA has the right and power under the Issuer Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the MTA, is in full force and effect and is valid and binding upon the MTA and enforceable in accordance with its terms, and no other authorization for the Resolution is required.

3. Upon due issuance of the Notes as provided in the Note Resolution and the Issuing and Paying Agency Agreement, and receipt by or on behalf of the MTA of payment therefor, the Notes will be valid and legally binding special obligations of the MTA, constituting Bond Anticipation Notes under the Resolution, and to the extent not paid from the proceeds of draws under the Letter of Credit will be payable solely from (i) the proceeds of the Series CP-1 Bonds, and (ii) the proceeds of notes, including renewal Notes, or other evidences of indebtedness or any other amounts, in each case if and to the extent such amounts may lawfully be used to make such payments. The Notes are not secured by any other funds, accounts or amounts that are pledged to the payment of Obligations or Parity Debt issued under the Resolution.

4. Under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Notes is not treated as a preference item for purposes of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations but is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed with respect to such corporations.

5. Under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Notes or ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Notes, or under State, local and foreign tax law.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolution and the Notes may be limited by bankruptcy, moratorium, insolvency, reorganization or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

You may continue to rely upon this opinion as to Notes issued subsequent to the date of this opinion to the extent (i) we have not advised you that this opinion may no longer be relied upon, (ii) there is no change in existing law subsequent to the date hereof, (iii) the MTA has complied with the covenants and conditions of contained in the Note Resolution and (iv) the representations and covenants set forth in the Arbitrage and Use of Proceeds Certificate remain true and accurate and are complied with.

This opinion is issued as of the date hereof, and we assume no obligation to (i) update, revise or supplement this opinion to reflect any 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 other reason whatsoever, (ii) notify you or any other person prior to delivery of any Notes if the conditions stated in the preceding paragraph have not been met or (iii) review any legal matters incident to the authorization, issuance, validity and tax status of the Notes, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality of the Notes. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the MTA or the programs to be financed with the Notes other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy, sufficiency or completeness of any financial or other information which has been or will be supplied to purchasers or prospective purchasers of the Notes.

Very truly yours,

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