



**\$502,990,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**\$59,755,000 Dedicated Tax Fund Bonds, Series 2010A-1**  
**(Tax-Exempt)**  
**\$443,235,000 Dedicated Tax Fund Bonds, Series 2010A-2**  
**(Federally Taxable – Issuer Subsidy - Build America Bonds)**

**DATED: Date of Delivery**

**DUE: November 15, as shown on the inside cover**

The Series 2010A-1 Bonds (the Series 2010A-1 Bonds) are being issued to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2010A-2 Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) (the Series 2010A-2 Bonds, and together with the Series 2010A-1 Bonds, the Series 2010A Bonds) are being issued to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

The Series 2010A Bonds –

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

MTA has no taxing power.

*In the opinion of Hawkins Delafield & Wood 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 2010A-1 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*
- *not included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.*

*Interest on the Series 2010A-2 Bonds is not excluded from gross income for Federal income tax purposes.*

*Also, in Bond Counsel's opinion, under existing law, interest on the Series 2010A Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York.*

The Series 2010A-1 Bonds are not subject to redemption prior to maturity. The Series 2010A-2 Bonds are subject to redemption prior to maturity as described herein.

The Series 2010A 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 March 25, 2010.

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 2010A 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.

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**J.P. Morgan**

**Ramirez & Co., Inc.**

**Barclays Capital**

**Citi**

BofA Merrill Lynch

Jefferies & Co.

Loop Capital Markets, LLC

Morgan Stanley

M.R. Beal & Company

Raymond James & Associates, Inc.

RBC Capital Markets

Roosevelt & Cross Incorporated

Siebert Brandford Shank & Co., LLC

Wachovia Bank, National Association

**\$502,990,000**  
**Metropolitan Transportation Authority**  
**Dedicated Tax Fund Bonds**

**\$59,755,000 Series 2010A-1 Serial Bonds**  
**(Tax-Exempt)**

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP Number</u> <u>(59259N)<sup>†</sup></u>
2011	\$7,705,000	2.000 %	0.780%	ZX4
2012	7,860,000	3.000	1.150	ZY2
2013	6,795,000	5.000	1.450	B36
2013	825,000	3.000	1.450	ZZ9
2013	475,000	4.000	1.450	A60
2014	4,275,000	5.000	1.810	B44
2014	1,670,000	3.000	1.810	A29
2014	2,535,000	4.000	1.810	A78
2015	4,420,000	5.000	2.220	A86
2015	4,425,000	3.000	2.220	A37
2016	4,350,000	5.000	2.600	A94
2016	3,395,000	3.000	2.600	A45
2016	1,450,000	4.250	2.600	B69
2017	4,130,000	5.000	2.870	B28
2017	4,120,000	3.000	2.870	A52
2017	1,325,000	4.500	2.870	B51

**\$443,235,000 Series 2010A-2**  
**(Federally Taxable – Issuer Subsidy - Build America Bonds)**

**\$95,115,000 Series 2010A-2 Serial Bonds**

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP Number</u> <u>(59259N)<sup>†</sup></u>
2018	\$ 9,970,000	4.655%	100%	ZP1
2019	10,440,000	4.805	100	ZQ9
2020	10,940,000	4.955	100	ZR7
2021	11,485,000	5.105	100	ZS5
2022	12,070,000	5.255	100	ZT3
2023	12,705,000	5.355	100	ZU0
2024	13,385,000	5.455	100	ZV8
2025	14,120,000	5.535	100	ZW6

**\$348,120,000 Series 2010A-2 Term Bonds**

\$84,010,000 5.989% Series 2010 A-2 Term Bonds Due November 15, 2030, Price: 100%  
CUSIP Number 59259NZM8

\$264,110,000 6.089% Series 2010 A-2 Term Bonds Due November 15, 2040, Price: 100%  
CUSIP Number 59259NZN6

***The Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Series 2010A 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.***

<sup>†</sup> 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 2010A 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 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2010A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of Series 2010A Bonds.

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

J. H. Walder.....	Chairman
Andrew M. Saul .....	Vice-Chairman
Andrew B. Albert .....	Non-Voting Member
John H. Banks III.....	Member
Robert C. Bickford .....	Member
James F. Blair .....	Non-Voting Member
Norman E. Brown.....	Non-Voting Member
Allen P. Cappelli .....	Member
Donald Cecil.....	Member
Doreen M. Frasca .....	Member
Ira R. Greenberg .....	Non-Voting Member
Jeffrey A. Kay .....	Member
Mark D. Lebow .....	Member
Susan G. Metzger .....	Member
Mark Page .....	Member
Mitchell H. Pally .....	Member
Norman I. Seabrook.....	Member
James L. Sedore, Jr.....	Member
Nancy Shevell.....	Member
Vincent Tessitore, Jr. ....	Non-Voting Member
Ed Watt.....	Non-Voting Member
Carl V. Wortendyke.....	Member

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David Moretti .....	Acting Chief Financial Officer
Charles Monheim .....	Chief Operating Officer
James B. Henly, Esq. ....	General Counsel
Patrick J. McCoy .....	Director, Finance

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HAWKINS DELAFIELD & WOOD 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 2010A 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 MTA's Dedicated Tax Fund Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer .....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.	
Bonds Being Offered .....	Dedicated Tax Fund Bonds, Series 2010A-1 (Tax-Exempt) and Dedicated Tax Fund Bonds, Series 2010A-2 (Federally Taxable – Issuer Subsidy - Build America Bonds).	
Purpose of the Series 2010A Bonds .....	To finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.	
Maturities and Rates .....	See inside cover.	
Denominations .....	\$5,000 and integral multiples of \$5,000.	
Interest Payment Dates .....	May 15 and November 15, commencing November 15, 2010.	
Redemption .....	See “DESCRIPTION OF SERIES 2010A BONDS — Redemption Prior to Maturity” in Part I.	
Sources of Payment and Security .....	MTA's pledged State taxes.	
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 Mellon, New York, New York.	
Bond Counsel .....	Hawkins Delafield & Wood LLP, New York, New York.	
Tax Status .....	See “TAX MATTERS” in Part III.	
Ratings .....	<u>Rating Agency</u>	<u>Rating</u>
	Standard & Poor's:	AA
	Fitch:	A+
	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 2010A Bonds.	
Underwriters' Discount .....	See “UNDERWRITING” in Part III.	
Counsel to the Underwriters .....	Winston & Strawn LLP, New York, New York.	

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2010A 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 2010A 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 2010A 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 since the date of this document.
  - ***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 the 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 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.
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***Information Included by Specific Cross-reference.*** The following portions of MTA’s 2009 Combined Continuing Disclosure Filings, filed with the Electronic Municipal Market Access System (EMMA) of the Municipal Securities Rulemaking Board (MSRB) are included by specific cross-reference in this official statement, along with material that updates this official statement and that is filed with EMMA prior to the delivery date of the Series 2010A Bonds, together with any supplements or amendments thereto:

- **Appendix A** — The Related Entities (in the form filed with EMMA on June 25, 2009)
- **Appendix B** — Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2008 and 2007
- **Appendix C** — Audited Combined Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2008 and 2007

The following documents have also been filed with EMMA and are included by specific cross-reference in this official statement:

- Summary of Certain Provisions of the DTF Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- MTA’s Unaudited Consolidated Interim Financial Statements for the nine-month period ended September 30, 2009
- Form of the Interagency Agreement

For convenience, copies of the documents can be found on the MTA website ([www.mta.info](http://www.mta.info)) under the caption “MTA Home-About the MTA-Financial Information-Budget” in the case of the MTA’s Unaudited Consolidated Financial Statements for the nine-month period ended September 30, 2009 and under the caption “MTA Home-About the MTA Financial Information-Investor Information” in the case of the remaining documents. No statement on the MTA’s website is included by specific cross-reference herein. See “FURTHER INFORMATION” in Part III. 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 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 (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 board members of MTA serve as the board members of the MTA’s affiliates and subsidiaries, which, together with the MTA, are referred to collectively herein as the Related Entities. MTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2009 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**.

### Information Provided in Appendix A

From time to time, the Governor, the State Comptroller, the City Comptroller, County Executives, State legislators, City Council members and other persons or groups may make public statements, issue reports, institute

proceedings or take actions that contain predictions, projections or other information relating to the Related Entities or their financial condition, including potential operating results for the current fiscal year and projected baseline surpluses or gaps for future years, that may vary materially from, question or challenge the information provided in **Appendix A**. Investors and other market participants should, however, refer to MTA's then current continuing disclosure filings and official statements for information regarding the Related Entities and their financial condition.

## Where to Find Information

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

- This **Introduction** provides a general description of the MTA, an update on recent developments, as well as a general description of the MTA Dedicated Tax Fund.
- **Part I** provides specific information about the Series 2010A Bonds.
- **Part II** describes the sources of payment and security for all MTA Dedicated Tax Fund Bonds, including the Series 2010A Bonds.
- **Part III** provides miscellaneous information relating to the Series 2010A Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2010A Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2010A Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2010A Bonds.
- **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 MSRB and from MTA.

**Information from Repositories.** MTA, until July 1, 2009, filed annual and other information with each Nationally Recognized Municipal Securities Information Repository. MTA has commenced filing and will in the future file annual and other information with EMMA.

Information on file with EMMA can be accessed at <http://emma.msrb.org/>.

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" following the Table of Contents, as filed with the MSRB through EMMA 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 2010A Bonds.**

**Information Available at No Cost.** Information filed with the MSRB through EMMA 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 Affecting MTA

**The December Financial Plan.** On December 16, 2009, the Board approved the December Financial Plan 2010-2013 and 2010 Budget (the December Plan), which was derived from the November Financial Plan 2010-2013 and 2010 Budget (the November Plan). The November Plan had projected a net cash surplus of \$28 million in 2009 and \$5 million in 2010, while projecting cash deficits of \$34 million, \$319 million and \$58 million for 2011, 2012 and 2013, respectively. The December Plan made significant changes to the November Plan based upon several unfavorable developments arising subsequent to issuance of the November Plan:

First, as part of the State's deficit reduction plan, the State Legislature reduced its prior appropriations to the MTA for 2009 by \$143 million, principally represented by Metropolitan Mass Transportation Operating Assistance (MMTOA) amounts. This was the first time that an existing appropriation to MTA has been reduced under circumstances in which the money was derived from a "dedicated" MTA tax and had already been collected.

Because of the way that funds flow from the State to the MTA, this entire reduction occurred in December of 2009. In addition, the State projected reduced MMTOA collections of \$49 million in 2010 and \$74 million in future years.

Second, receipts from the recently enacted Regional Mobility Tax were significantly under-running projections. The Regional Mobility Tax and other new revenues had been projected to provide an additional \$1.1 billion to MTA for calendar year 2009 and an additional \$1.9 billion to MTA in calendar year 2010. In December 2009, the State projected an estimated reduction of \$229 million in Regional Mobility Tax revenue for calendar year 2009, with the State Division of the Budget advising MTA that it believed that a significant portion of the shortfall (\$179 million) was the result of timing and was expected to be made up in 2010. The State Division of the Budget also projected lower Regional Mobility Tax receipts of \$50 million a year starting in 2010.

Over the 2009-2010 period, the combined reduction in revenues from the above-noted subsequent developments totaled approximately \$300 million, with most occurring in 2009.

Third, on December 11, 2009, an unfavorable ruling was issued in the legal proceeding in which MTA had challenged the August, 2009 TWU Local 100 arbitration award (the Award). The court denied the petition to vacate the Award and granted the TWU Local 100 petition for award confirmation. The Award provided for wage increases that approximate 4% in 2009, 4% in 2010, and 3% in 2011. The Award also granted a reduction in the amount of the employee health benefit contribution, raising the total value of the award to approximately 11.5% over three years. Preliminary estimates indicated that the Award would cost the MTA approximately \$90 million in 2010, \$200 million in 2011 and \$250 million in 2012 and beyond, above the amounts already included in the July Plan. The November Plan contained a one-time contingency of \$85 million to partially offset this and other financial risks. This contingency was utilized in 2009 to help close the gap. In January, 2010, the MTA filed a notice of appeal of the lower court's confirmation of the Award with respect to two components - the 3% increase awarded in 2011 and the change in employee health benefit contributions. As described further below, given the unfavorable lower court ruling issued on December 11, 2009, the 2010 Budget and the 2010-2013 Financial Plan reserve funds against the wage amounts set forth in the Award.

Partially mitigating these losses in the short term were lower estimated debt service costs (\$56 million) and the favorable timing of certain expenses of the MTA. 2009 cash expenditures were projected to be lower than the November Plan by \$106 million. However, much of the reason for that was the result of timing, including the delay of the Award. The net impact of these 2009 results was expected to be \$35 million when compared with the November Plan.

The Board-approved December Plan addressed the above-noted developments by a number of measures as described below. Through management actions, including utilizing reserves, delaying pension payments and the above-mentioned timing variances, the MTA satisfied its 2009 cash obligations. As a result of these actions and MTA re-estimates, the December Plan assumed that 2009 would end with a \$31 million cash balance. The 2010 Budget, which is part of the December Plan includes service reductions and other reductions to balance the 2010 Budget and end 2010 with a \$2 million cash balance. The out-years of the December Plan project a cash balance of \$1 million in 2011, a deficit of \$188 million in 2012, and a cash balance of \$65 million in 2013.

The December Plan adopted by the Board identified significant additional cost-cutting measures beginning in 2010 to solve the larger long-term problem, some of which require public hearings and additional Board actions. The MTA will continue to evaluate the actions proposed in the December Plan and, as part of such evaluation, anticipates consideration will be given to additional or alternative cost saving measures, which may include actions already proposed or which may be proposed by individual members of the Board, by various elected officials and by other interested persons or groups. MTA is prepared to take the needed actions in order to maintain a balanced budget.

***Policy Actions in the December Plan.*** The December Plan, as approved by the Board, included a number of Policy Actions.

- *Special Labor Reserve* – MTA established a reserve in 2010 to mitigate significant financial risks from labor costs. Given the court ruling noted above that was issued on December 11, 2009, the December Plan reserves funds against the wage amounts set forth in the Award. The reserve will

be used to supplement funding already provided in the budgets of the Related Entities, including MTA New York City Transit, and will be distributed as labor settlements are reached. The reserve will be established at \$91 million in 2010, \$173 million in 2011, \$190 million in 2012 and \$196 million in 2013.

- *Pay-As-You-Go Capital* - The approved 2010 Budget included in the December Plan continues to assume that a portion of the new tax revenues authorized in May 2009 will be a funding source in the next capital program in the form of “pay-as-you-go capital”. These payments are planned to commence at \$50 million in 2010. In 2011 and beyond these payments will increase in \$50 million increments until 2018 when pay-as-you-go funding is expected to be \$450 million. This level of contribution will support the first two years of necessary local funding of the proposed 2010-2014 capital programs, including support for “mega” projects like East Side Access and the Second Avenue Subway.
- *MTA Bridges and Tunnels Holdback* - The December Plan assumes that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) will be used to fund new MTA Bridges and Tunnels capital projects through pay-as-you-go funding and additional debt service.

**Gap Closing/Cash Management Measures Incorporated from the November Plan.** The approved December Plan includes a number of Gap Closing/Cash Management Actions previously included in the November Plan:

- *2010 Program to Eliminate the Gap* - The 2010 Program to Eliminate the Gap (PEG) consists of savings of \$23 million and the elimination of 118 positions in 2009, \$72 million and the elimination of 375 positions in 2010, \$71 million and the elimination of 356 positions in 2011, \$72 million and the elimination of 347 positions in 2012, and \$75 million and 390 positions in 2013.
- *Post-2010 Program to Eliminate the Gap* – The MTA and the Related Entities will identify PEGs beginning in 2011 during next year’s budget cycle. The value of these “unspecified” PEGs is \$90 million in 2011, \$188 million in 2012, and \$280 million in 2013.
- *Non-Represented Employee Wage Freeze in 2009* – Non-represented employees will not receive a cost of living raise in 2009.
- *Federal Legislative Actions* - The MTA is proposing changes in federal legislation that would eliminate certain federal mandates for commuter rail employees without impacting employee benefits. As in the November Plan, the assumed initiation of these changes is delayed until the third quarter of 2010.
- *2011 Increased Fare and Toll Yields* – A 7.5% increase in MTA consolidated farebox and toll revenue yields beginning January 1, 2011 is proposed. Consolidated fare and toll revenues, excluding MTA Bus revenue, are expected to increase by \$408 million in 2011, \$425 million in 2012 and \$429 million in 2013. MTA Bus revenue is expected to increase by \$12 million in 2011 and by \$13 million in 2012 and 2013. These additional MTA Bus revenues will be used to reduce the City subsidy used to cover the costs associated with MTA Bus operations. The projections from this action are slightly improved from the estimates prepared for the July Plan due to higher baseline farebox and toll revenue forecasts.
- *2013 Increased Fare and Toll Yields* – A 7.5% consolidated farebox and toll revenue yield increase is also proposed for implementation on January 1, 2013, and is estimated to yield an additional \$449 million in 2013, excluding yield increases for MTA Bus. The 7.5% farebox yield increase at MTA Bus is expected to generate additional revenue of \$14 million in 2013, and will be used to reduce the City subsidy to MTA Bus.

- *Forward Energy Contracts* – An energy hedging strategy has been employed to lock in fuel prices for 2010. MTA set-aside \$73 million in 2009 which was used to lock in pricing for approximately one-half of its fuel budget for 2010. In addition, the December Plan assumes that in 2010, the MTA will set-aside \$82 million to lock in one-half of its expected 2011 fuel requirement.

***Additional Gap Closing/Cash Management Measures included in December Plan.*** The Board also adopted the additional actions described below as part of the December Plan:

- *Additional Actions for Budget Balance* – When the State Legislature approved the Regional Mobility Taxes in May of 2009, the MTA was able to lower the budgeted fare/toll increase from 23% to 10% and eliminate those Additional Actions for Budget Balance (AABB) that directly impacted scheduled service to the public. Recent negative financial developments, however, have altered the MTA's financial picture, and the MTA's December Plan includes most of the AABB measures that it was able to avoid in 2009. Major service changes that are being proposed in furtherance of the AABB budgetary savings identified in the December Plan have been the subject of public hearings and will require further Board action prior to implementation. Cost savings to be achieved through the AABB measures are valued in the 2010 Budget at \$62 million in 2010 and \$129 million each year thereafter. In addition to these service items, the AABB Gap Closing actions include the elimination of the Rockaway/Broad Channel residents' rebate program.
- *Administrative Savings* – The MTA will take additional administrative savings beyond those taken in PEGs and AABB savings projections and projected savings relating to the proposed business service center. Efforts are being undertaken at the direction of the Chairman to uncover permanent savings in various administrative areas including purchases, professional services and labor. These savings programs are expected to yield \$49 million in 2010 and \$65 million each year thereafter, and may include furloughs and an increase in the length of the pay-lag for non-represented employees.
- *Student Fare* – Prior to 1994, the City and the State paid the entire costs of the program to fund free or half-price student fares. In 1995, an agreement was made between the City, the State and the MTA to divide these costs equally. Over time, MTA costs increased but reimbursements from the State and the City did not. In November of 2009, the State dramatically reduced its school fare reimbursement from \$25 million to only \$6 million. The MTA can no longer afford to subsidize student transportation and, therefore, is proposing a roll back of the discount for school transportation. The December Plan assumes that one half of the current discount will be eliminated in September of 2010 and the remaining half discount will be discontinued in September of 2011. The December Plan projects this would increase revenues by \$31 million in 2010 and \$62 million in 2011, with revenues increasing to \$170 million in 2012 and beyond.
- *Paratransit Savings* – Paratransit costs at the MTA are rising at an extraordinary rate and the level of contribution from MTA's funding partners has not kept pace with such costs. The MTA is evaluating ways that it can save costs without jeopardizing its ability to deliver these necessary services consistent with legal requirements. The December Plan anticipates savings of \$40 million can be achieved in 2010 with annual savings of \$80 million each year thereafter. Sources of savings that are anticipated include: improvements in scheduling efficiency, an increase in the use of vouchers and taxis, better coordination of feeder service with accessible fixed route service, improved eligibility screening, and the elimination of the most expensive carriers.
- *Delay 2009 Pension Payment* – To assist short-term cash flow, the MTA delayed the scheduled payments of \$125 million in pension payments from 2009 to 2010.

***Other Actions in the December Plan.*** The Board also approved additional budget and cash management actions, all of which, other than those relating to the new State taxes, have been accomplished in past budget adoptions, including those described below:

- *General Reserve* – The Board authorized the Chairman to allocate these reserves in order to cover contingencies as may become necessary in order to ensure the continued operations of MTA Headquarters and the operating agencies. Such expenditures shall be funded from the MTA Corporate Account (MRT-2), and/or Regional Mobility Taxes, and/or other new taxes legislated in 2009.
- *Advance of Bridges and Tunnels Operating Surplus* – As has been done on previous occasions, the Board authorized MTA Bridges and Tunnels to advance to the MTA and MTA New York City Transit, to the extent funds are available, all or a part of the estimated operating surplus for the year 2010, when and as directed by the Chairman.
- *Inter-Agency Loans* – The Board authorized the Chairman, as permitted under the Public Authorities Law, to enter into inter-agency loan agreements among the MTA and the Related Entities. This authorization would allow the temporary movement of funds among agencies to meet cash flow requirements for operating or capital purposes resulting from a mismatch between the receipt of subsidies and other monies and cash flow needs. The statute requires that any such inter-agency loans be repaid no later than the end of the next succeeding calendar year.
- *Advance of MTA (Mortgage Recording Tax #2) Corporate Account Monies* – The Board authorized that these funds be used to support the MTA Police, the All-Agency Security Pool, other MTA Headquarters operations, the funding of MTA reserves, and MTA Bus capital projects and to temporarily help stabilize cash flow requirements. As in the past, except in the case of MTA Bus capital projects, the advance of such funds to the MTA and the Related Entities to stabilize cash flow requirements may be made, provided that such advances are repaid prior to the end of the fiscal year in which made.
- *Advance of Regional Mobility Taxes and Other New Taxes* – The revenues from the Regional Mobility Tax (the Regional Mobility Tax Revenues) can be: (i) pledged by MTA to secure and be applied to the payment of bonds to be issued in the future to fund capital projects of MTA, its subsidiaries, and MTA New York City Transit and its subsidiary and (ii) used by MTA to pay capital costs, including debt service of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. Subject to the provisions of any such pledge, or in the event there is no such pledge, the Regional Mobility Tax Revenues can be used by MTA to pay for costs, including operating costs of MTA, its subsidiaries and MTA New York City Transit and its subsidiary. The Board authorized the Chairman to release these funds as needed in any of the areas described above.
- *Government Accounting Standards Board (GASB) Contributions* – In June 2008, the MTA approved the establishment of the “MTA Retiree Welfare Benefits Trust” to govern the administration and investment of the OPEB trust assets. Pending transfer to the “Trust” the Treasurer holds the 2006 through 2009 funds set aside in discrete sub-accounts that comprise the GASB Account. MTA and the Related Entities will make contributions of \$62 million as set forth in the 2010 Budget to the GASB Account in 2010 (with additional contributions in the out years of the December Plan). The Treasurer is authorized to use the amounts in the GASB accounts to fund intra-agency and inter-agency loans. If an agency uses its own GASB funds to meet 2010 cash flow needs, the amounts withdrawn in 2010 must be paid back by December 31, 2012. If the GASB funds are used as inter-agency loans in 2010, they would be subject to repayment no later than December 31, 2011, consistent with the inter-agency loan provisions described above.

### ***Subsequent Developments.***

*2010/2011 New York State Budget.* In early January, 2010, the State released its 2010-11 Executive Budget which, if enacted, would reduce total MTA State subsidies for 2010 by \$104 million from the levels assumed in the MTA December Plan. Most of the unfavorable changes are the result of the downward reforecast of State dedicated taxes, namely MMTOA, petroleum business taxes (PBT) and Regional Mobility Taxes. Partially offsetting those anticipated reductions are modest favorable changes in proposed Additional Mass Transit Assistance Program (AMTAP) payments to MTA Long Island Bus and school fare reimbursement to MTA New York City Transit. The

proposed increase in school fare reimbursement contained in the Executive Budget would increase funding to \$25 million, still below the previous \$45 million contribution by the State and well below the \$214 million per year cost of school fares.

Based upon subsequent discussions between MTA and the State Division of the Budget, MTA anticipates that the amounts to be received by MTA from the Regional Mobility Tax in 2010 and thereafter will be lower than the levels assumed in the December Plan and anticipates that it may need to reduce the estimated receipts included in the December Plan by approximately \$360 million for 2010 (which includes approximately \$155 million representing a previously assumed timing difference in collections originally expected to be received in 2009) and by approximately \$150 million a year, thereafter.

The 21-Day Amendments to the 2010-11 New York State Executive Budget were released on February 9, 2010. The Executive Budget amendments propose changes to the Regional Mobility Tax in order, among other things, to ensure that the MTA receives previously projected levels of revenue in 2010 and future years. The amendment would increase the tax rate for New York City businesses to 0.54 percent of payroll, up from 0.34 percent and would cut the tax rate in half for businesses outside of New York City to 0.17 percent. There are no assurances that the proposals put forth in the 21-Day Amendments regarding the Regional Mobility Tax will be approved by the State legislature in the New York State 2010-11 Enacted Budget.

*MTA Operating Budget.* On January 15, 2010, the MTA released "Making Every Dollar Count," a report of Chairman and CEO Jay H. Walder's first 100 days on the job that includes an assessment of the MTA and plans for improvement. The report recognizes the enormous improvement in the MTA's transportation network over the past 25 years, but acknowledges that in many areas the MTA has fallen behind comparable transit systems around the world. The report identifies two main goals: to overhaul the way the MTA does business to cut costs and ensure that every dollar is being used as effectively as possible; and to find affordable ways to make progress on service improvements despite a difficult budget environment.

In January, 2010, the MTA also proposed revisions to many of the proposed AABB that were included in the December Plan to minimize the negative impact to riders. Budgeted AABB savings are not expected to change significantly from the December Plan. Major service changes, as well as the proposals regarding discontinuances of student fare discounts and the Rockaway/Broad Channel residents' rebate program, were noticed for public hearing and will require further Board action prior to implementation. Public hearings were conducted between March 1 and March 8, 2010, in anticipation of presentation of the proposed measures to the MTA Board for final action.

The MTA has also announced that it will eliminate 15% of its administrative positions this spring in order to meet its budgeted goal of reducing administrative costs by \$49 million in 2010 and \$65 million per year, thereafter. This permanent reduction in positions is expected to be accomplished through the elimination of vacancies, voluntary separations and lay-offs, if necessary. The MTA has also sent lay-off notices to those station agents included in its AABB to reduce station staffing.

On February 22, 2010, the MTA February Plan was released incorporating certain Gap Closing Programs and Policy and Cash Management Actions approved by the Board into the baseline. The February Plan, which incorporates the Board adopted budget from December, 2009 and minor technical adjustments captures cash balances of \$27 million in 2009, and \$2 million in 2010. It projects cash deficits of \$13 million and \$191 million in 2011 and 2012 respectively and a cash balance of \$58 million in 2013. These balances do not include any of the above-mentioned downward re-estimates of taxes or any of the additional expense reduction programs that are now being formulated.

The MTA remains prepared to take needed actions in order to maintain a balanced budget and is considering a variety of cost saving and other measures in addition to those proposed in the December Plan and subsequent February update (2010 Adopted Budget). The MTA has issued to its Agencies expense reduction targets totaling \$400 million for 2010 that are intended to offset the above mentioned reductions in projected revenue.

*Other.* On January 27, 2010, the Board approved the issuance of up to \$700 of million Revenue Anticipation Notes to finance, on a short term basis, the operating needs of the transit and commuter systems in anticipation of State subsidies to be received later in the year. These notes will mature and be paid off by the end of the year and therefore will be used only to address a timing mismatch between expenses and revenues.

***MTA Capital Programs.*** Section 1269(b) of the Public Authorities Law requires the MTA to submit capital plans to the MTA Capital Program Review Board (the Review Board). The MTA Board, at its meeting of September 23, 2009, reviewed and authorized for submission to the Review Board a five-year Proposed MTA Capital Programs (Programs) for the Transit and Commuter Systems for the 2010-2014 period, totaling approximately \$25.6 billion. The Programs were submitted to the Review Board for its review in October 2009 as required by law. Included in the Programs were approximately \$19.8 billion for core investments for the ongoing replacement needs of the existing Transit and Commuter Systems and MTA Bus and \$5.7 billion to finance a portion of the costs of the East Side Access and the Second Avenue Subway. The Programs included \$15.7 billion of identified funding - including \$6 billion of new bonding authorized by the May Legislation - leaving a \$10 billion funding gap. The new bonding, in combination with other identified revenues, would provide for two years of program funding. The submitted Programs were vetoed without prejudice by the Review Board on December 30, 2009 allowing the State Legislature to review funding issues in their 2010 session. The MTA will be prepared to resubmit the Programs at the appropriate time before the end of the legislative session. No assurance can be given that such resubmitted Programs will not include substantial revisions from those previously submitted.

***MTA Bridges and Tunnels Capital Program.*** In September 2009, the Board of MTA Bridges and Tunnels approved a Capital Program for the 2010-2014 period which provides for commitments of approximately \$2.5 billion designed to keep its facilities in good operating condition. Such Capital Program represents a substantial increase over the \$1.2 billion in commitments included in the 2005-2009 MTA Bridges and Tunnels Capital Program due largely to the need to replace critical deck structures on several bridges. MTA Bridges and Tunnels Capital Programs are not subject to approval by the Review Board.

***MTA Board Changes.*** On January 1, 2010, pursuant to chapter 549 of the Laws of 1994 (as amended by chapter 415 of the Laws of 2007), the provision in the Public Authorities Law that added non-voting board members to the MTA Board expired. Legislation was subsequently enacted to restore the non-voting board members to the MTA Board, which legislation became effective March 2, 2010.

***Recent Litigation.*** An action commenced in Suffolk County Supreme Court against the State of New York, various officials of the State of New York, and the MTA challenging the constitutionality of Chapter 25 of the Laws of 2009, was served on the MTA on January 13, 2010; service on all defendants was not completed until February 24. The plaintiffs are two private coach bus services. Chapter 25 of the Laws of 2009, among other things, imposes certain taxes and fees within the Metropolitan Commuter Transportation District that provide funding for the MTA, including the Regional Mobility Tax. The complaint seeks declaratory relief and a stay of further collection of the fees and taxes imposed by the statute, although plaintiffs have not served the MTA or any other defendant with a motion seeking such a stay. The plaintiffs allege that the statute is unconstitutional because it (i) was a special law affecting local governments that required a home rule message; (ii) was a special law affecting local governments that could be passed only by a two-thirds majority in both the Assembly and Senate; (iii) appropriated money for local purposes and could be passed only by a two-thirds majority in both the Assembly and Senate; (iv) was an appropriation bill but had more than a single object or purpose; and (v) impermissibly authorizes, accepts, or imposes liability on the State for debts of the MTA. Plaintiffs also allege that the statute violates section 1266(3) of the Public Authorities Law, which the plaintiffs assert requires that the MTA operate on a "self-sustaining" basis without State financial support.

On March 4, 2010, the MTA, as well as the State defendants, served a demand that venue be transferred to Albany County and shortly will move for a change of venue as plaintiffs have not consented to the venue demands. After judicial determination of the venue motion, defendants will have the opportunity to answer the complaint or move its dismissal. The case remains at an early procedural stage and the MTA continues to review plaintiffs' claims. Based upon MTA's review to date, however, the MTA believes the lawsuit is without merit and MTA intends to vigorously defend the action.



**West Side Yards.** The MTA and Related Companies, L.P., recently extended the expiration date of the Conditional Designation Letters relating to the Eastern Rail Yard (ERY) and the Western Rail Yard (WRY) real estate developments from January 31, 2010, to March 31, 2010 with the objective that the detailed documentation for the transactions, including closing conditions, be finalized and the definitive contracts signed by the March expiration date. The MTA was advised in late January 2010 that Goldman Sachs Group Inc. no longer intends to remain a joint venture partner with Related Companies, L.P., for these development projects, while Related Companies, L.P., remains committed to proceeding with the developments. The extension of the Conditional Designation Letters followed the re-zoning of the WRY in December 2009 to permit its proposed mixed use development. If the ERY and WRY real estate developments proceed in accordance with the terms of the Conditional Designation Letters, the MTA would receive a net present value of approximately \$1 billion to support the MTA 2005-2009 Capital Program.

## **The MTA Dedicated Tax Fund**

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

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

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

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

- a 3/8 of one percent district sales tax,
- a temporary regional franchise tax surcharge,
- a portion of taxes on certain transportation and transmission companies, and
- an additional portion of the business privilege tax imposed on petroleum businesses.

The MTA Act requires that MTTF Receipts deposited into the MTA Dedicated Tax Fund be applied to meet debt service requirements of obligations, including the Series 2010A Bonds, issued by MTA and secured by moneys in such Fund (the bonds issued under the DTF Resolution, including the Series 2010A Bonds, are referred to collectively herein as the Bonds). That legislation also requires that MMTOA Receipts deposited into the MTA Dedicated Tax Fund be applied, to the extent that MTTF Receipts are not sufficient to meet those requirements, to meet debt service requirements of the Bonds. MTTF Receipts and MMTOA Receipts not used to meet those requirements are transferred to the Operating and Capital Costs Account to be used to pay operating and capital costs of the Transit System operated by MTA New York City Transit and its subsidiary, MaBSTOA, and MTA Staten Island Railway, and the Commuter System operated by MTA's subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad.

The requirement that the State pay MTA Dedicated Tax Fund Revenues to the MTA Dedicated Tax Fund (as well as any advances in the payment thereof) is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose and the availability of moneys to fund such appropriations. The State Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the State Legislature will make any such appropriation. The State is not restricted in its right to amend, repeal, modify or otherwise alter statutes imposing or relating to the MTA Dedicated Tax Fund Revenues or the taxes or appropriations that are the source of such Revenues, nor is the State restricted in its right to reduce appropriations previously made to the MTA. See "INTRODUCTION - Recent Developments Affecting MTA."

## PART I. SERIES 2010A BONDS

Part I of this official statement, together with the Summary of Terms, provides specific information about the Series 2010A Bonds.

### APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2010A-1 Bonds (the principal amount thereof plus original issue premium of \$4,879,785.10 and less certain financing, legal and miscellaneous expenses of \$822,775.56), in the amount of \$63,812,009.54 will be used to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

MTA anticipates that the net proceeds of the Series 2010A-2 Bonds (the principal amount thereof less certain financing, legal and miscellaneous expenses of \$7,047,009.54), in the amount of \$436,187,990.46 will be used to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries.

### DESCRIPTION OF SERIES 2010A BONDS

#### General

***Book-Entry-Only System.*** The Series 2010A 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 2010A 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 2010A Bonds, all payments on the Series 2010A 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 2010A 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 November 15, 2010. So long as DTC is the sole registered owner of all of the Series 2010A Bonds, all interest payments will go 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 2010A Bonds, it will be the sole registered owner of the Series 2010A Bonds, and transfers of ownership interests in the Series 2010A Bonds will occur through the DTC Book-Entry-Only System.

***Trustee.*** The Bank of New York Mellon, New York, New York, is Trustee and Paying Agent with respect to the Series 2010A Bonds.

#### Designation of Series 2010A-2 Bonds as “Build America Bonds”

The MTA currently intends to elect to treat the Series 2010A-2 Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the MTA will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2010A-2 Bonds. Such cash subsidy payments received by the MTA will not constitute part of the Pledged Revenues under the DTF Resolution (as defined herein).

## Redemption Prior to Maturity.

*The Series 2010A-1 Bonds are not subject to redemption prior to maturity.*

**Mandatory Sinking Fund Redemption of the Series 2010A-2 Bonds.** 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, or in accordance with procedures described below in “Selection of Series 2010A-2 Bonds To Be Redeemed”) 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 2010A-2 Bonds shown below:

<u>2030 Term Bond</u>			<u>2040 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>		<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2026	\$14,905,000	first payment	2031	\$19,945,000
	2027	15,795,000		2032	21,160,000
	2028	16,745,000		2033	22,450,000
	2029	17,750,000		2034	23,820,000
stated maturity	2030	18,815,000		2035	25,275,000
				2036	26,815,000
				2037	28,450,000
				2038	30,185,000
				2039	32,030,000
			stated maturity	2040	33,980,000
average life years - 18.755 years			average life years - 26.625 years		

**Make Whole Redemption of the Series 2010A-2 Bonds.** The Series 2010A-2 Bonds are subject to redemption prior to maturity by written direction of the Authority, in whole or in part, on any Business Day, at the “Make-Whole Redemption Price” (as defined herein). The Make-Whole Redemption Price is the greater of (i) 100% of the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of the Series 2010A-2 Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A-2 Bonds are to be redeemed, discounted to the date on which the Series 2010A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted “Treasury Rate” (as defined herein) plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2010A-2 Bonds to be redeemed on the redemption date. The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010A-2 Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Series 2010A-2 Bonds shall not otherwise be subject to optional redemption prior to maturity.

**Extraordinary Optional Redemption of the Series 2010A-2 Bonds.** The Series 2010A-2 Bonds are subject to redemption prior to their maturity, at the option of the MTA, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of: (1) 100% of the principal amount of the Series 2010A-2 Bonds to be redeemed; and (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2010A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2010A-2 Bonds are to be

redeemed, discounted to the date on which such Series 2010A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points; plus, in each case, accrued interest on the Series 2010A-2 Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if MTA determines that a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by MTA to satisfy the requirements to qualify to receive the 35% cash subsidy payments from the United States Treasury, pursuant to which the MTA’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

***Selection of Series 2010A-2 Bonds To Be Redeemed.*** If the Series 2010A-2 Bonds are not registered in book-entry-only form, any redemption of less than all of the Series 2010A-2 Bonds will be allocated among the registered owners of such Series 2010A-2 Bonds as nearly as practicable in proportion to the principal amounts of the Series 2010A-2 Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2010A-2 Bonds. This will be calculated based on the formula: (principal to be redeemed) x (principal amount owned by owner) / (principal amount outstanding). The particular Series 2010A-2 Bonds to be redeemed will be determined by the Trustee, using such method as it deems fair and appropriate. If the Series 2010A-2 Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2010A-2 Bonds, partial redemptions will be done in accordance with DTC procedures. It is MTA’s intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between MTA and the beneficial owners be made in accordance with these same proportional provisions. However, MTA can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis.

***State and City Redemption.*** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2010A-2 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 2010A-2 Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2010A-2 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 2010A-2 Bonds, as a whole, but only in accordance with the terms upon which the Series 2010A-2 Bonds are otherwise redeemable.

***Redemption Notices.*** So long as DTC is the securities depository for the Series 2010A-2 Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2010A-2 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 2010A-2 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 2010A-2 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 2010A-2 Bonds, then on the redemption date the Series 2010A-2 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 2010A-2 Bonds called for redemption, thereafter, no interest will accrue on those Series 2010A-2 Bonds, and a bondholder’s only right will be to receive payment of the redemption price upon surrender of those Series 2010A-2 Bonds.

## **Debt Service on the Bonds**

**Table 1** on the next page sets forth, on a cash basis for each State fiscal year ending March 31, the debt service on (i) the outstanding DTF Bonds, (ii) the Series 2010A Bonds, and (iii) all Bonds outstanding under the DTF Resolution after issuance of the Series 2010A Bonds.

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**Table 1**  
**Aggregate Debt Service**  
**(in thousands)<sup>(1)</sup>**

Series 2010A Bonds

Year Ending March 31 <sup>(2)</sup>	Outstanding Bonds <sup>(3)(4)</sup>	Principal	Interest	Total	Aggregate Debt Service
2010	\$ 251,918	\$ 0	\$ 0	\$ 0	\$ 251,918
2011	357,821	0	18,078	18,078	375,899
2012	357,769	7,705	28,297	36,002	393,771
2013	357,904	7,860	28,142	36,002	393,906
2014	357,655	8,095	27,907	36,002	393,657
2015	357,375	8,480	27,523	36,003	393,378
2016	357,526	8,845	27,158	36,003	393,529
2017	357,559	9,195	26,804	35,999	393,558
2018	357,903	9,575	26,423	35,998	393,901
2019	356,095	9,970	26,033	36,003	392,098
2020	352,373	10,440	25,569	36,009	388,382
2021	352,770	10,940	25,068	36,008	388,778
2022	351,790	11,485	24,526	36,011	387,801
2023	351,365	12,070	23,939	36,009	387,374
2024	352,006	12,705	23,305	36,010	388,016
2025	351,025	13,385	22,625	36,010	387,035
2026	350,637	14,120	21,895	36,015	386,652
2027	350,022	14,905	21,113	36,018	386,040
2028	339,183	15,795	20,220	36,015	375,198
2029	349,454	16,745	19,274	36,019	385,473
2030	348,490	17,750	18,272	36,022	384,512
2031	346,905	18,815	17,208	36,023	382,928
2032	345,398	19,945	16,082	36,027	381,425
2033	341,654	21,160	14,867	36,027	377,681
2034	349,479	22,450	13,579	36,029	385,508
2035	178,931	23,820	12,212	36,032	214,963
2036	121,649	25,275	10,761	36,036	157,685
2037	98,929	26,815	9,222	36,037	134,966
2038	322,700	28,450	7,590	36,040	358,740
2039	304,358	30,185	5,857	36,042	340,400
2040	286,021	32,030	4,019	36,049	322,070
2041	0	33,980	2,069	36,049	36,049
<b>TOTAL</b>	<u>\$ 10,014,661</u>	<u>\$ 502,990</u>	<u>\$ 595,639</u>	<u>\$ 1,098,629</u>	<u>\$ 11,113,290</u>

(1) Totals may not add due to rounding.

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

(3) Assumes interest at a rate of 4.06% per annum on the Series 2002B Bonds until September 1, 2013 based on an interest rate swap relating thereto, and 4.00% thereafter. Assumes interest at a rate of 4.00% per annum on the Series 2004B Bonds and the Series 2008B Bonds. Assumes interest at a rate of 3.3156% per annum on the Series 2008A Bonds based on an interest rate swap relating thereto and an interest rate of 4.00% per annum for the unhedged portion of the Series 2008A Bonds. Due to the effects of the volatile conditions in the market affecting variable rate bonds, the recent interest rates to the MTA for these variable rate securities have at times been higher than the assumed 4% rate. However, based upon historical averages and mitigating actions taken or actions to be taken by the MTA, MTA continues to believe that its 4% variable rate assumption is reasonable for the purpose of long term cost calculations.

(4) Interest has not been reduced to reflect expected receipt of Build America Bond interest rate subsidies relating to certain Outstanding Bonds; such subsidies do not constitute Pledged Revenues under the Dedicated Tax Fund Resolution.

## 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 MTA Dedicated Tax Fund Bonds, including the Series 2010A Bonds.

### SOURCES OF PAYMENT

Under State Law, MTA receives money from certain dedicated taxes and fees described in this section. This money is deposited into MTA's Dedicated Tax Fund and is pledged by MTA for the payment of its Dedicated Tax Fund Bonds.

#### Revenues from Dedicated Taxes

*MTA Revenues from PBT, Motor Fuel Tax and Motor Vehicle Fees (MTTF Receipts).* In 1991, as part of a program to address the need for continued capital investment in the State's transportation infrastructure, the State Legislature established a State fund, called the PBT Dedicated Funds Pool, from which money is apportioned by statutory allocation under current State Tax Law to a State fund, called the Dedicated Mass Transportation Trust Fund (MTTF). Currently, portions of the following taxes and fees are deposited into the PBT Dedicated Funds Pool, of which 34% is allocated to the MTTF for the benefit of MTA:

- A group of business privilege taxes imposed on petroleum businesses operating in the State (the PBT taxes), generally consisting of:
  - o a basic tax that varies based on product type,
  - o a supplemental tax that, in general, is applied at a uniform rate, and
  - o a petroleum business carrier tax.

A significant portion (currently 80.3%) of net PBT receipts from the basic tax and all of the supplemental tax and the carrier tax are required by current law to be deposited in the PBT Dedicated Funds Pool.

- Motor fuel taxes on gasoline and diesel fuel.
- Certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees. Effective October 1, 2005, certain registration and non-registration fees were increased.

Thirty-four percent (34%) of the PBT Dedicated Funds Pool is currently deposited in the MTTF for MTA's benefit. Subject to appropriation by the State Legislature, money in that account is required by law to be transferred to the MTA Dedicated Tax Fund held by MTA. Amounts transferred from the MTTF Account to the MTA's Dedicated Tax Fund constitute "MTTF Receipts."

There has been no change in the timing of the State's payment of, or MTA's receipt of, MTTF Receipts, and MTA anticipates that such receipts will be sufficient to make required monthly principal and interest deposits into the Debt Service Fund.

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

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

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

Starting in 1980, in response to anticipated operating deficits of the State's mass transportation systems, the State Legislature enacted a series of taxes, portions of the proceeds of which have been and are to be deposited in a special State Fund — the Mass Transportation Operating Assistance Fund — to fund the operations of mass transportation systems. The Metropolitan Mass Transportation Operating Assistance Account, or MMTOA Account, was established in that State Fund to support operating expenses of transportation systems in the MTA Commuter Transportation District, including the MTA New York City Transit, MaBSTOA and the commuter railroads operated by MTA's subsidiaries, MTA Long Island Rail Road and MTA Metro-North Railroad. After payment of Section 18-b general operating assistance to the various transportation systems, MTA gets approximately 86% of the moneys deposited in the MMTOA Account, with the remaining 14% available to other transportation properties within the MTA Commuter Transportation District, such as MSBA and MTA Bus, the latter of which currently operates the routes formerly operated by the City private franchise bus lines.

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

- ***MMTOA PBT***. The products that are subject to the tax, the tax rates, and the transactions excluded from the tax are identical to those of the basic PBT tax dedicated to the PBT Dedicated Funds Pool and the MTTF Account in that Pool. Pursuant to State law, of the remaining 19.7% of the PBT Basic Tax that is not deposited to the PBT Dedicated Funds Pool, 55% (or 10.835% of the PBT Basic Tax collections) is deposited in the MMTOA Account.
- ***District Sales Tax***. The District Sales Tax consists of a 3/8 of one percent sales and compensating use tax imposed on sales and uses of certain tangible personal property and services applicable only within the MTA Commuter Transportation District.
- ***Franchise Taxes***. Also deposited in the MMTOA Account is a legislatively-allocated portion of the following two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies):
  - o an annual franchise tax based on the amount of the taxpayer's issued capital stock, and
  - o an annual franchise tax on the taxpayer's gross earnings from all sources calculated to have been generated State-wide pursuant to statutory formulae.
- ***Temporary Franchise Surcharges***. The Temporary Franchise Surcharges are imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within the MTA Commuter Transportation District. In accordance with State Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as taxes are received.

In order to assist MTA in balancing its budgets for calendar year 2002, the State advanced the payment of a fifth quarter of MMTOA Receipts scheduled for the first quarter of calendar year 2003 into the fourth quarter of calendar year 2002. Currently, MTA receives the equivalent of four quarters of MMTOA Receipts each year, with the first quarter of each succeeding calendar year's receipts similarly advanced. This results in little or no MMTOA



Receipts being received during the first quarter of each calendar year; MTA has made other provisions to provide for cash liquidity during this period.

A more detailed description of the MMTOA Taxes is set forth in **Appendix A** (included herein by specific cross-reference) under the caption “DEDICATED TAX FUND BONDS — MMTOA Account — Special Tax Supported Operating Subsidies.”

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

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

The information in the following DTF **Table 2** relating to MTTF Receipts and MMTOA Receipts was provided by the New York State Division of the Budget and the remaining information was provided by MTA.

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**Table 2**  
**Summary of MTTF Receipts and MMTOA Receipts**  
**(\$ millions)<sup>1</sup>**

<b>Dedicated Taxes</b>	<b>State Fiscal Year ending March 31,</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>MTTF</b>					
PBT	\$340.8	\$325.9	\$345.9	\$331.1	\$333.1
Motor Fuel Tax	101.9	98.9	101.3	97.1	96.6
Motor Vehicle Fees <sup>2</sup>	<u>150.0</u>	<u>171.2</u>	<u>173.6</u>	<u>167.1</u>	<u>171.3</u>
<b>Total Available MTTF Taxes<sup>3</sup></b>	<b>\$592.7</b>	<b>\$595.9</b>	<b>\$620.8</b>	<b>\$595.3</b>	<b>\$601.0</b>
<b>MTTF Receipts<sup>4</sup></b>	<b>\$569.3</b>	<b>\$608.9</b>	<b>\$613.4</b>	<b>\$601.6</b>	<b>\$629.6</b>
<b>MMTOA</b>					
PBT	\$ 78.8	\$ 72.5	\$ 76.0	\$ 73.1	\$ 73.4
District Sales Tax	604.1	688.1	705.4	711.2	662.2
Franchise Taxes	73.9	68.4	60.3	71.8	72.5
Temporary Franchise Surcharges <sup>5</sup>	<u>765.9</u>	<u>962.3</u>	<u>982.6</u>	<u>851.8</u>	<u>926.1</u>
<b>Total Available MMTOA Taxes<sup>6</sup></b>	<b><u>\$1,522.7</u></b>	<b><u>\$1,791.3</u></b>	<b><u>\$1,824.3</u></b>	<b><u>\$1,707.9</u></b>	<b><u>\$1,734.2</u></b>
<b>MMTOA Receipts<sup>7</sup></b>	<b>\$1,146.7<sup>8</sup></b>	<b>\$1,069.2<sup>8</sup></b>	<b>\$1,525.9</b>	<b>\$1,651.3</b>	<b>\$1,249.8</b>
<b>Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)</b>	<b><u>\$1,716.0</u></b>	<b><u>\$1,678.1</u></b>	<b><u>\$2,139.3</u></b>	<b><u>\$2,252.9</u></b>	<b><u>\$1,879.4</u></b>
<b>Debt Service</b>	\$195.4	\$231.4	\$263.8	\$234.5	\$298.0
<b>Debt Service Coverage Ratio – MTTF Receipts Only</b>	2.91x	2.63x	2.33x	2.57x	2.11x
<b>Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts</b>	7.76x	8.12x	8.11x	9.61x	6.31x

<sup>1</sup> The numbers set forth in the 2006 through 2009 column are actual numbers. The numbers set forth in the 2010 column are estimated.

<sup>2</sup> Beginning April 1, 2005, all remaining General Fund revenues derived from motor vehicle fees were moved to the Dedicated Tax Funds Pool. In accordance with the 2005-06 Enacted Budget, additional motor vehicle fees were deposited into the Dedicated Tax Funds Pool beginning on October 1, 2005.

<sup>3</sup> Represents the amount of MTTF taxes collected by the State that was deposited into the MTTF.

<sup>4</sup> Represents the amount in the MTTF that was, subject to appropriation, paid to MTA by deposit into the MTA Dedicated Tax Fund, thereby becoming MTTF Receipts. The amount of MTTF Receipts in any State fiscal year may be greater than the amount collected for deposit into the MTTF due to, among other things, investment earnings or surplus amounts retained in the MTTF that were not paid out in prior years.

<sup>5</sup> For 2006, 2007 and 2008, includes certain non-recurring amounts related to increased audit activities.

<sup>6</sup> Represents the amount of MMTOA taxes collected by the State that was deposited into the MMTOA Account. Amounts in the MMTOA Account are available, subject to appropriation, to pay operating expenses of the various public transportation systems throughout the MTA Commuter Transportation District, including MTA.

<sup>7</sup> Represents the amount in the MMTOA Account that was, subject to appropriation, requested by, and paid to, MTA for deposit into the MTA Dedicated Tax Fund, thereby becoming MMTOA Receipts. The difference between Total Available MMTOA Taxes and MMTOA Receipts generally represents the amount appropriated for operating expenses of the various non-MTA systems in the MTA Commuter Transportation District, as well as the amounts appropriated to MTA and other transportation agencies, primarily in accordance with the Section 18-b Program as described in this Appendix A under the caption "REVENUES OF THE RELATED ENTITIES – State and Local General Operating Subsidies."

<sup>8</sup> At the end of the State's 2005-06 fiscal year, the State accelerated the payment of \$200 million of MMTOA Receipts to the MTA in the following manner: it increased appropriations from levels enacted in that fiscal year and upon payment within that fiscal year, required that appropriations that were recommended and subsequently enacted in the State's 2006-07 fiscal year be commensurately reduced. This money is not additional money to MTA since it is received in the same calendar year as originally expected. Total Pledged Revenues for 2006 do not include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2006 also exclude the effect of this \$200 million advance. Total Pledged Revenues for 2007 include this \$200 million and, consequently, the Debt Service Coverage Ratios reflected above for 2007 reflect a \$200 million reduction.

Currently, MTA receives the equivalent of four quarters of MMTOA Receipts each year, with the first quarter of each succeeding calendar year's receipts similarly advanced. This results in little or no MMTOA Receipts being received during the first quarter of each calendar year; the MTA has made other provisions to provide for cash liquidity during this period.

## **Factors Affecting Revenues from Dedicated Taxes**

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

In connection with the financing of the 2005-2009 MTA Capital Program or future capital programs, MTA may propose similar legislation or other legislation affecting components of the taxes currently securing MTA Dedicated Tax Fund Bonds.

**Litigation.** Aspects relating to the imposition and collection of the Dedicated Taxes have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

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

**Government Assistance.** The level of government assistance to MTA through Dedicated Taxes may be affected by several different factors, two of which are as follows:

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

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

## **SECURITY**

The Dedicated Tax Fund Bonds are MTA's special obligations payable as to principal, redemption premium, if any, and interest solely from the security, sources of payment and funds specified in the DTF Resolution. Payment of principal of or interest on the Bonds may not be accelerated in the event of a default.

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

- the general fund or other funds and revenues of the State, or

- the other funds and revenues of MTA or any of its affiliates or subsidiaries.

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

Summaries of certain provisions of the DTF Resolution and the Standard Resolution Provisions have been filed with the repositories listed under “INTRODUCTION — Information from Repositories” and are available on MTA’s website.

### **Pledge Effectuated by the DTF Resolution**

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

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

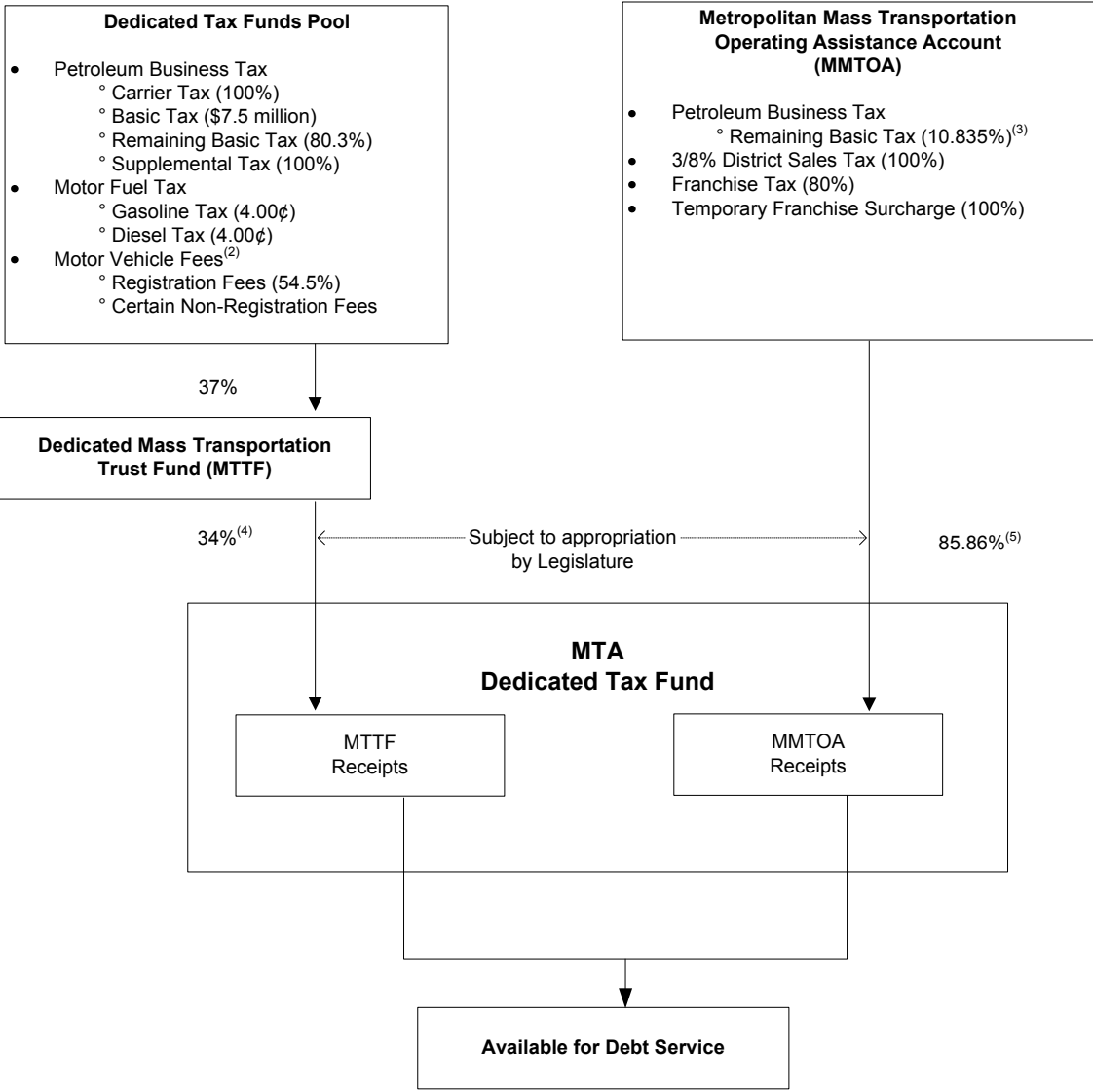
The DTF Resolution provides that the trust estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and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

### **Flow of Funds**

The DTF Resolution establishes a Proceeds Fund held by MTA and a Debt Service Fund held by the Trustee. See “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION” included herein by specific cross-reference for a description of the provisions of the DTF Resolution governing the deposits to and withdrawals from the Funds and Accounts. Amounts held by MTA or the Trustee in any of such Funds shall be held in trust separate and apart from all other funds and applied solely for the purposes specified in the DTF Resolution or any Supplemental Resolution thereto.

The following two charts summarize (i) the flow of taxes into the MTA Dedicated Tax Fund and (ii) the flow of MTA Dedicated Tax Fund Revenues through the MTA Dedicated Tax Fund and the Funds and Accounts established under the DTF Resolution.

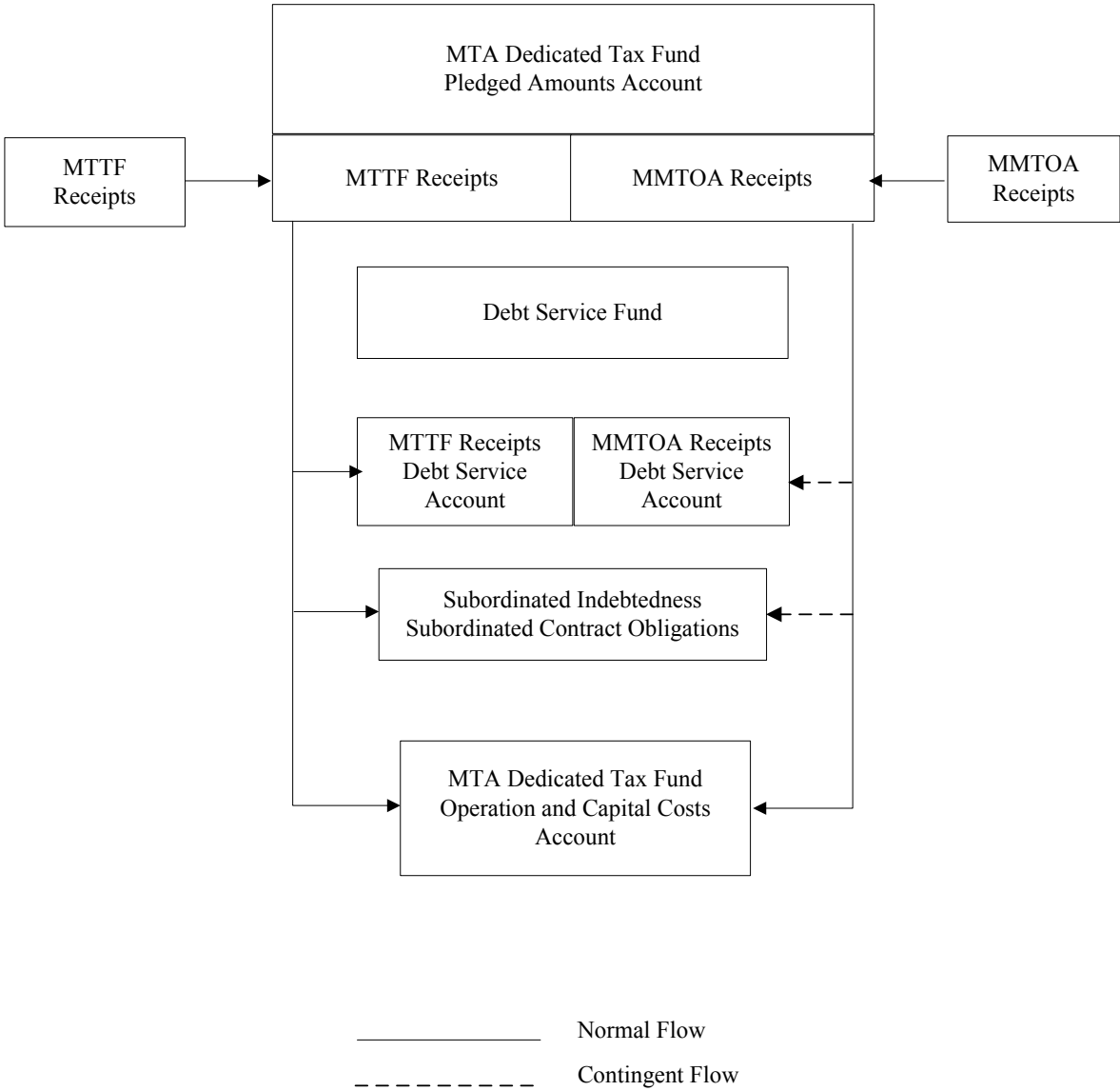
# MTA DEDICATED TAX FUND BONDS – SOURCES OF REVENUE (Through March 31, 2010)<sup>(1)</sup>



**Notes**

- (1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ending March 31, 2010 in the respective fund or account. The allocations shown may be changed at any time by the State Legislature.
- (2) Includes the additional Motor Vehicle Fees deposited into the Dedicated Tax Funds Pool from time to time.
- (3) The foregoing percentage does not include the 8.865% share of the Basic Tax that is deposited in an account for certain upstate transportation entities.
- (4) Percentage of Dedicated Tax Funds Pool.
- (5) Percentage based on payments included in the Enacted Budget for State Fiscal Year 2009-2010.

**MTA DEDICATED TAX FUND BONDS - RESOLUTION FLOW OF FUNDS**



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

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

## Debt Service Fund

Pursuant to the DTF Resolution, the Trustee holds the Debt Service Fund, consisting of the MTTF Receipts Debt Service Account and the MMTOA Receipts Debt Service Account. Moneys in the Debt Service Fund are applied by the Trustee to the payment of Debt Service on the Bonds in the manner, and from the accounts and subaccounts, more fully described under “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION — Debt Service Fund” included herein by specific cross-reference.

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

## Covenants

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

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

Such certificate must set forth:

- (A) for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate: (i) MTTF Receipts, (ii) MMTOA Receipts, and (iii) investment income received during such period on amounts on deposit in the Pledged Amounts Account, the MTTF Receipts Subaccount, the MMTOA Receipts Subaccount and the Debt Service Fund; and
- (B) the greatest amount for the then current or any future Debt Service Year of the sum of (a) Calculated Debt Service on all Outstanding Obligations, including the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations, but excluding any Obligations or Parity Debt to be refunded with the proceeds of such Refunding Obligations, plus (b) additional amounts, if any, payable with respect to Parity Debt;

and then state:

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

See “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Capital Cost Obligations” included herein by specific cross-reference for a description of further provisions which apply to the additional bonds test if the percentage of available existing taxes deposited into the MTA Dedicated Tax Fund is increased or additional taxes are added to the amounts so deposited.

For a discussion of the requirements relating to the issuance of Refunding Bonds, see “SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Refunding Obligations” included herein by specific cross-reference.

## Parity Debt

MTA may incur Parity Debt pursuant to the terms of the DTF Resolution that, subject to certain exceptions, would be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the DTF Resolution with respect to Bonds. Parity Debt may be incurred in the form of a Parity Reimbursement Obligation, a

Parity Swap Obligation or any other contract, agreement or other obligation of MTA designated as constituting “Parity Debt” in a certificate of an Authorized Officer delivered to the Trustee.

### **Appropriation by the Legislature**

The State Constitution provides that the State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the MTTF and MMTOA Account, to be approved by the State Legislature at least every two years. In addition, the State Finance Law provides, except as described below, that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th, depending upon the nature of the appropriation. The State Legislature may not be bound in advance to make any appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. MTA expects that the State Legislature will make appropriations from amounts on deposit in the MTTF and MMTOA Account in order to make payments when due.

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

In order to reduce the risk that the State Legislature may fail to make an annual appropriation or that such appropriation may be delayed to the MTA Dedicated Tax Fund, the adopted State budget for 2009-10 includes two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year that ends March 31, 2010 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2011. The appropriation for the 2009-10 State Fiscal Year took effect on April 1, 2009. MTA has periodically availed itself of such prior year’s appropriation to meet operating costs in response to delays in the adoption of the State budget in such years.

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

### **Agreement of the State**

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

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



## PART III. OTHER INFORMATION ABOUT THE SERIES 2010A BONDS

Part III of this official statement provides miscellaneous additional information relating to the Series 2010A Bonds.

### TAX MATTERS

**General.** Hawkins Delafield & Wood LLP is Bond Counsel for the Series 2010A 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 2010A-1 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
- not included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

Interest on the Series 2010A-2 Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation.

Their opinion is also that under existing law interest on the Series 2010A Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2010A Bonds are delivered.

#### The Series 2010A-1 Bonds

The Internal Revenue Code of 1986 imposes requirements on the Series 2010A-1 Bonds that MTA must continue to meet after the Series 2010A-1 Bonds are issued. These requirements generally involve the way that Series 2010A-1 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 2010A-1 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 2010A-1 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 2010A-1 Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events could change the tax treatment of the interest on the Series 2010A-1 Bonds or affect the market price of the Series 2010A-1 Bonds. For example, the Internal Revenue Code could be changed. See also "Miscellaneous" below in this heading.

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 2010A-1 Bonds, or under State, local or foreign tax law.

**Bond Premium.** If a bondholder purchases a Series 2010A-1 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2010A-1 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 2010A-1 Bond will be reduced. The holder of a Series 2010A-1 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 2010A-1 Bond with bond premium, even though the Series 2010A-1 Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2010A-1 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

**Information Reporting and Backup Withholding.** Information reporting requirements apply to interest paid on the Series 2010A-1 Bonds. If the bondowner provides the entity from whom she receives interest payments (the “payor”) with a Form W-9, “Request for Taxpayer Identification Number and Certification”, or if the bondowner is one of a limited class of exempt recipients, including corporations, these requirements will be satisfied. Other bondowners will be subject to “backup withholding”; that is, the tax due from a bondowner with respect to any interest payment on the tax-exempt obligation will be deducted and withheld by the payor.

## **The Series 2010A-2 Bonds**

The Series 2010A-2 Bonds are to be designated by MTA as Build America Bonds and in connection with the issuance of the Series 2010A-2 Bonds MTA expects to irrevocably elect to receive the credit pursuant to Section 54AA of the Internal Revenue Code directly, all as authorized by the Recovery Act and the applicable provisions of the Internal Revenue Code. Consequently, interest on the Series 2010A-2 Bonds is not excluded from a bondowner’s federal gross income nor are bondowners entitled to claim any credit under Section 54AA of the Internal Revenue Code with respect to the Series 2010A-2 Bonds. The Internal Revenue Code imposes requirements on the Series 2010A-2 Bonds that MTA must continue to meet after the Series 2010A-2 Bonds are issued in order to receive the cash subsidy payments. These requirements generally involve the way that Series 2010A-2 Bond proceeds must be invested and ultimately used. If MTA does not satisfy these requirements, MTA may not receive the cash subsidy payments. MTA has no obligation to the bondowners or prospective purchasers of the Series 2010A-2 Bonds to maintain the status of the Series 2010A-2 Bonds as Build America Bonds. As a result of MTA’s election, holders of the Series 2010A-2 Bonds are not entitled to claim or receive any federal tax credit relating to the Series 2010A-2 Bonds, including any credit otherwise permitted under section 54AA of the Internal Revenue Code.

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2010A-2 Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2010A-2 Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2010A-2 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010A-2 Bonds.

Interest on the Series 2010A-2 Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2010A-2 Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2010A-2 Bonds will be treated as ordinary income to an owner of Series 2010A-2 Bonds and principal payments will be treated as a return of capital.

**Backup Withholding.** A bondowner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the Series 2010A-2 Bonds. This withholding generally applies if the owner of a Series 2010A-2 Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other

“reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2010A-2 Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2010A-2 Bonds will be reported to the bondowners and to the Internal Revenue Service.

***Nonresident Borrowers.*** Under the Code, interest and original issue discount income with respect to Series 2010A-2 Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the MTA (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2010A-2 Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

***Miscellaneous.*** The opinions of Bond Counsel are not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2010A-2 Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2010A-2 Bonds. The opinions of Bond Counsel are provided to support the promotion or marketing of the Series 2010A-2 Bonds. In all events, all investors should consult their own tax advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Series 2010A-2 Bonds.

Tax legislation, administrative actions taken by tax authorities, and court decision, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2010A Bonds under Federal or state law or affect the receipt of the cash subsidy payments on the Series 2010A Bonds and could affect the market price or marketability of the Series 2010A Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

## **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Series 2010A 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 2010A Bonds.

## LITIGATION

There is no material pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are the Related Entities, including MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bridges and Tunnels. Certain of these claims and actions, either individually or in the aggregate, are potentially material to MTA, the Related Entities. MTA does not believe that any of these claims or actions would affect the application of the sources of payment for the Series 2010A Bonds. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** — “THE RELATED ENTITIES — Litigation.”

## FINANCIAL ADVISOR

Goldman, Sachs & Co. is MTA’s financial advisor for the Series 2010A Bonds. The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2010A 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 fee for serving as financial advisor is contingent upon the issuance of the Series 2010A Bonds.

## UNDERWRITING

The Underwriters for the Series 2010A Bonds, acting through J.P. Morgan Securities Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA (i) the Series 2010A-1 Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$64,395,479.68, reflecting original issue premium of \$4,879,785.10 and an Underwriters’ discount of \$239,305.42, and (ii) the Series 2010A-2 Bonds described on the inside cover page of this official statement at an aggregate purchase price of \$440,500,465.63, reflecting an Underwriters’ discount of \$2,734,534.37, and to reoffer such Series 2010A Bonds at the public offering prices or yields set forth on the inside cover page.

The Series 2010A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2010A Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2010A Bonds if any Series 2010A Bonds are purchased.

Certain of the Underwriters have entered into distribution agreement with other broker-dealers (that have not been designated by the MTA as Underwriters) for the distribution of the Series 2010A Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation with such broker-dealers.

The following two sentences have been provided by J.P. Morgan Securities Inc., one of the Underwriters: J.P. Morgan Securities Inc., one of the Underwriters, has entered into an agreement (the Distribution Agreement) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010A Bonds with UBS Financial Services Inc.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2010A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010A Bonds.

## RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies that are expected to be assigned to the Series 2010A Bonds. Those ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings	Standard & Poor's Ratings Services
One State Street Plaza	55 Water Street
New York, New York 10004	New York, New York 10041
(212) 908-0500	(212) 438-2000

MTA has furnished to each rating agency rating the Series 2010A Bonds being offered information, including information not included in this official statement, about MTA and the Series 2010A 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 Series 2010A Bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2010A Bonds.

## LEGAL MATTERS

All legal proceedings in connection with the issuance of the Series 2010A Bonds being offered are subject to the approval of the nationally-recognized bond counsel firm identified on the cover page and in the Summary of Terms. The form of the opinion of Bond Counsel is **Attachment 3** to this official statement.

Certain legal matters regarding MTA will be passed upon by its General Counsel. In addition, certain legal matters will be passed upon by 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 (the Annual Information) with EMMA.

MTA has further agreed to deliver notice to EMMA of any failure to provide the Annual Information. MTA is also obligated to deliver notices of the following events, if material, to EMMA:

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

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

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## **FURTHER INFORMATION**

MTA may place a copy of this official statement on its website at [www.mta.info/mta/investor/index.html](http://www.mta.info/mta/investor/index.html). No statement on the MTA's website or any other website is included by specific cross-reference herein.

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

## **METROPOLITAN TRANSPORTATION AUTHORITY**

By: /s/ Patrick J. McCoy  
Director, Finance  
Metropolitan Transportation Authority

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## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2010A Bonds. The Series 2010A 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 2010A Bond will be issued for each maturity of the Series 2010A 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 2010A 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A 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 2010A 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 2010A Bonds, except in the event that use of the book-entry system for the Series 2010A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2010A 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 2010A 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 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A 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 2010A Bonds may wish to take certain steps to augment the transmission

to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010A Bond documents. For example, Beneficial Owners of the Series 2010A Bonds may wish to ascertain that the nominee holding the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to MTA by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2010 (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 the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) 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 EMMA. The nature of the information to be provided in the Annual Information and the notices of material events is set forth below.

The Comptroller of the State is required by existing law to issue audited annual financial statements of the State 120 days after the close of the State fiscal year, and MTA will also undertake to provide the State’s audited annual financial statements, by no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2010; provided that if audited financial statements are not then available from the State, unaudited financial statements shall be so provided and audited financial statements will be provided if and when available. Pursuant to Rule 15c2-12, MTA will undertake for the benefit of holders of Series 2010A Bonds to provide or cause to be provided either directly or through the Trustee, audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2009, when and if such audited financial statements become available and, if such audited financial statements of MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of MTA New York City Transit or MTA for such fiscal year. MTA’s and the State’s annual financial statements will be filed by or on behalf of such parties with EMMA.

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

1. description of the transit and commuter systems operated by the MTA and its affiliates and subsidiaries and their operations,
2. information regarding the transit and commuter capital programs, including information of the type included in Appendix A under the caption “FINANCIAL PLANS AND CAPITAL PROGRAMS,”
3. presentation of changes to indebtedness issued by MTA under the DTF Resolution, as well as information concerning changes to MTA’s debt service requirements on such indebtedness payable from DTF Revenues,
4. financial information and operating data of the type included in Appendix A under the caption “DEDICATED TAX FUND BONDS” which shall include information relating to the following:
  - a. description of how the State allocates taxes to the MTA Dedicated Tax Fund;
  - b. description of the material taxes allocated to the MTA Dedicated Tax Fund, currently the petroleum business tax, the motor fuel tax on gasoline and diesel fuel, certain motor vehicle fees, including both registration and non-registration fees, the District Sales Tax, the Franchise Taxes, and the Temporary Franchise Surcharge, together with a description of the tax rate, the tax base and the composition and collection of such taxes by the State (unless the taxes constituting the sources of revenue have been materially changed or modified, in which case similar information about such new or modified taxes will be provided); and

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

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific cross-reference to any other documents which have been filed with (a) EMMA and the State Depository or (b) the Securities and Exchange Commission. 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 EMMA and to the State Depository.

MTA will undertake, for the benefit of holders of the Series 2010A Bonds, to provide or cause to be provided:

1. to EMMA 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 2010A Bonds, if material, and
2. to EMMA 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 MTA.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2010A 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 2010A 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 2010A 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 2010A Bonds at the time Outstanding which are affected thereby. MTA and the Trustee reserve the right, but shall not be obligated to, enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the DTF Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the DTF Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where MTA's undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2010A Bonds have been paid in full or legally defeased pursuant to the DTF Resolution or the date the undertaking is no longer required by law. The Disclosure Agreement also provides that the obligation of the MTA to provide the State's audited financial statements thereunder may be terminated if, due to a change in circumstances or a change in law, regulation or official interpretation thereof, the State is not an "obligated person" as defined in Rule 15c2-12. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

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### ATTACHMENT 3

#### FORM OF OPINION OF BOND COUNSEL

**Upon delivery of the Series 2010A Bonds in definitive form, Hawkins Delafield and Wood 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 copy of the record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$59,755,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Bonds, Series 2010A-1 (the "Series 2010A-1 Bonds") and \$443,235,000 aggregate principal amount of Metropolitan Transportation Authority Dedicated Tax Fund Bonds, Series 2010A-2 (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2010A-2 Bonds," and together with the Series 2010A-1 Bonds, the "Series 2010A Bonds").

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

The Series 2010A Bonds are issued under and pursuant to the Constitution and statutes of the State of New York (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "Dedicated Tax Fund Obligation Resolution", as supplemented by a resolution of said members adopted on February 24, 2010 (collectively, the "Resolution").

The Series 2010A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A-1 Bonds in order that interest on the Series 2010A-1 Bonds be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the MTA, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the MTA has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the Federal tax status of interest on the Series 2010A-1 Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2010A-1 Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2010A-1 Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2010A-1 Bonds to be included in gross income for Federal income tax

purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2010A-1 Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2010A-1 Bonds from gross income for Federal income tax purposes under Section 103 of the Code and compliance by the MTA with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2010A-1 Bonds and Series 2010A-2 Bonds as executed and, in our opinion, the form of said Series 2010A-1 Bond and Series 2010A-2 Bond and their 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.

3. The Series 2010A 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 2010A 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 2010A Bonds.

4. The MTA, the holders of the Series 2010A Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2010A 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 2010A-1 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the



Series 2010A-1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax.

7. Under existing statutes, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

8. Interest on the Series 2010A-2 Bonds is not excluded from gross income for Federal income tax purposes and so will be fully subject to Federal income taxation; this opinion is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the Series 2010A-2 Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Series 2010A-2 Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Series 2010A-2 Bonds. Each owner of the Series 2010A-2 Bonds should seek advice based on its particular circumstances from an independent tax advisor.

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, 7 and 8, we express no opinion regarding any other Federal, state, local or foreign tax consequences with respect to the Series 2010A Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2010A 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 2010A 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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