APPENDIX A

THE RELATED ENTITIES

This Appendix A is dated April 30, 2013 and contains information only through that date (or the specific earlier dates noted herein, such as year-end December 31, 2012 financial and statistical information). MTA intends to update and supplement specific information contained herein (1) through revised Continuing Disclosure Filings, (2) as part of its quarterly financial statement reports, and (3) in connection with its periodic issuance of bonds, notes and other obligations. MTA expects to file such updated and supplemental information with the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system ("EMMA") and may incorporate such information herein by specific cross-reference. Such information is also posted on the MTA website under "About the MTA – Financial Information" at www.mta.info for convenience. All of the information is accurate as of its respective date. MTA retains the right to update and supplement specific information contained herein as events warrant.

Certain statements included in this Appendix A constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "FINANCIAL INFORMATION – FINANCIAL PLANS AND CAPITAL PROGRAMS" and "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS." The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the preceding paragraph, MTA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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APPENDIX A

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PART 1. BUSINESS

THE RELATED ENTITIES

Legal Status and Public Purpose

The Metropolitan Transportation Authority ("MTA") was created by New York State legislation in 1965 (the "Metropolitan Transportation Authority Act," New York Public Authorities Law, Title 11, Section 1260, et. seq.), as a public benefit corporation. MTA is a corporate entity separate and apart from the State of New York (the "State"), without any power of taxation – frequently called a "public authority." MTA has the responsibility for developing and implementing a unified mass transportation policy for The City of New York (the "City") and Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties (collectively with the City, the "MTA Commuter Transportation District").

MTA carries out these responsibilities directly and through its subsidiaries and affiliates, which are also public benefit corporations. The following entities, listed by their legal names, are subsidiaries of MTA:

- The Long Island Rail Road Company,
- Metro-North Commuter Railroad Company,
- Staten Island Rapid Transit Operating Authority,
- Metropolitan Suburban Bus Authority*
- MTA Bus Company, and
- MTA Capital Construction Company.

The following entities, listed by their legal names, are affiliates of MTA:

- Triborough Bridge and Tunnel Authority, and
- New York City Transit Authority, and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority.

MTA and the foregoing subsidiaries and affiliates are collectively referred to herein, from time to time, as the "Related Entities." Throughout this Appendix A, the Related Entities are referred to by their popular names, which are listed below under "Use of Popular Names."

Certain insurance coverage for the Related Entities is provided by a New York State-licensed captive insurance public benefit corporation subsidiary of MTA, First Mutual Transportation Assurance Company ("FMTAC"). See "INSURANCE."

MTA and its subsidiaries are generally governed by the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the New York Public Authorities Law, as from time to time amended (the "MTA Act").

Triborough Bridge and Tunnel Authority is generally governed by the Triborough Bridge and Tunnel Authority Act, being Title 3 of Article 3 of the New York Public Authorities Law, as from time to time amended (the "MTA Bridges and Tunnels Act").

The New York City Transit Authority and its subsidiary are generally governed by the New York City Transit Authority Act, being Title 9 of Article 5 of the New York Public Authorities Law, as from time to time amended (the "MTA New York City Transit Act").

Due to the continuing business interrelationship of the Related Entities and their common governance and funding, there are provisions of each of these three acts (the MTA Act, the MTA Bridges and Tunnels Act and the MTA New York City Transit Act) that affect some or all of the other Related Entities in various ways.

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* The MTA subsidiary Metropolitan Suburban Bus Authority discontinued its provision of transportation services at the end of 2011. Its activities are limited to the winding up of its affairs.

Use of Popular Names

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

Legal Name	Popular Name
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
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

Governance

MTA's Board consists of a Chairman and 16 other voting Members, two non-voting Members and four alternate non-voting Members, all of whom are appointed by the Governor with the advice and consent of the State Senate. The four voting Members required to be residents of the counties of Dutchess, Orange, Putnam and Rockland, respectively, cast one collective vote. The other voting Members, including the Chairman, cast one vote each (except that in the event of a tie vote, the Chairman shall cast one additional vote). Members of MTA are, *ex officio*, the Members or Directors of the other Related Entities and FMTAC.

The Chairman is also the Chief Executive Officer of MTA and is responsible for the discharge of the executive and administrative functions and powers of the Related Entities. The Chairman and Chief Executive Officer of MTA is, *ex officio*, the Chairman and Chief Executive Officer of the other Related Entities.

Facilities and Operations

The following is a summary of the facilities and operations presently conducted by the Related Entities.

MTA Headquarters (including the Business Service Center). MTA Headquarters includes the executive staff of MTA, as well as a number of departments that perform largely all-agency functions, including audit, budget and financial management, capital programs management, finance, governmental relations, insurance and risk management, legal, planning, procurement, real estate, corporate compliance and ethics, and treasury. In addition, MTA maintains its own Police Department with non-exclusive jurisdiction over all facilities of the Related Entities, and MTA Headquarters is responsible for the costs and expenses of such police department.

Transit System. MTA New York City Transit and its subsidiary MaBSTOA operate all subway transportation and most of the public bus transportation within the City (the "Transit System"). Throughout this Appendix A, unless otherwise noted, the term "Transit System" includes only the operations of MTA New York City Transit and its subsidiary MaBSTOA, and does not include the operations of MTA Staten Island Railway (except for certain capital projects included in the Transit Capital Programs, as defined below under "—*Capital Programs*"), or MTA Bus.

Commuter System. MTA Long Island Rail Road and MTA Metro-North Railroad operate commuter rail services in the MTA Commuter Transportation District (the "Commuter System").

- MTA Long Island Rail Road operates commuter rail service between the City and Long Island and within Long Island.

- MTA Metro-North Railroad operates commuter rail service between the City and the northern suburban counties of Westchester, Putnam and Dutchess; from the City through the southern portion of the State of Connecticut; through an arrangement with New Jersey Transit, the Port Jervis and Pascack Valley commuter rail services to Orange and Rockland Counties; and within such counties and the State of Connecticut.

MTA Bus. MTA Bus operates certain bus routes in the City formerly served by seven private bus operators pursuant to franchises granted by the City (the "MTA Bus System"). Under an agreement between the MTA and the City, the City is responsible for paying MTA Bus the difference between the actual cost of operation and all revenues and subsidies received by MTA Bus and allocable to the operation of the routes. Certain portions of the MTA Bus capital program are included in the capital programs approved by the Review Board as described below under "*Capital Programs*." The City is not responsible for paying debt service on bonds issued by MTA for the benefit of MTA Bus in connection with the 2005-2009 Capital Program and the 2010-2014 Capital Program described below. The expense of debt service on bonds issued by MTA for the benefit of MTA Bus in connection with the 2010-2014 Capital Program described below is submitted to the City for reimbursement. MTA Bus is an "Additional Related Transportation Entity" within the meaning of the Transportation Resolution (as hereinafter defined), which allows MTA Bus to finance its capital projects included in capital programs approved by the Review Board with Transportation Revenue Bonds. See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS — TRANSPORTATION REVENUE BONDS."

MTA Staten Island Railway. MTA Staten Island Railway operates a single rapid transit line extending from the Staten Island Ferry Terminal at St. George to the southern tip of Staten Island. MTA pays from unencumbered funds the operating expenses of MTA Staten Island Railway not covered by fares, State and local subsidies and other amounts. Capital needs of MTA Staten Island Railway are financed under Transit Capital Programs.

MTA Bridges and Tunnels. MTA Bridges and Tunnels operates all nine of the intra-State toll bridges and tunnels in the City.

- MTA Bridges and Tunnels is authorized to issue its own obligations to finance the cost of capital costs and projects of its own facilities and of the Transit and Commuter Systems.

- MTA Bridges and Tunnels' annual operating surplus, after meeting its own expenses and after payment of debt service on its own obligations, is used to fund the operating expenses of the Transit System and the Commuter System and/or to finance the cost of certain capital costs and projects of the Transit System and the Commuter System, including payment of debt service on obligations of MTA issued to finance such costs and projects.

- MTA Bridges and Tunnels' annual surplus investment income, after meeting its own expenses and after payment of debt service on its own obligations, is used at the MTA Board's discretion to fund the operating or capital expenses of any of the Related Entities.

MTA Capital Construction. MTA Capital Construction is responsible for the planning, design and construction of current and future major MTA system expansion projects for the other Related Entities, including East Side Access (bringing MTA Long Island Rail Road into Grand Central Terminal), extension of the No. 7 subway line from Times Square south to 34th Street and 11th Avenue in Manhattan, the Lower Manhattan Fulton Street Transit Center, the Second Avenue Subway and system-wide capital security projects.

Capital Programs. MTA is required to prepare and submit for approval to the Metropolitan Transportation Authority Capital Program Review Board (the "Review Board") successive five-year capital programs for the

(1) Transit System and MTA Staten Island Railway and (2) Commuter System. MTA Bridges and Tunnels and MTA Bus undertake their own capital planning that is not subject to Review Board approval; however, certain security projects of MTA Bridges and Tunnels and certain capital projects of MTA Bus have been included in Review Board-approved MTA Capital Programs (as defined below).

As used in this Appendix A, the following terms shall have the following definitions:

- The term "Capital Program," as used in connection with any five-year period, shall refer to the combined "MTA Capital Program" and "MTA Bridges and Tunnels Capital Program" for that period. For example, the term "2010-2014 Capital Program" shall refer to the combined "2010-2014 MTA Capital Program" and the "2010-2014 MTA Bridges and Tunnels Capital Program."

- The term "MTA Capital Program," as used in connection with any five-year period, shall refer to the combined "MTA Transit Capital Program" and "MTA Commuter Capital Program" for that period. For example, the term "2010-2014 MTA Capital Program" shall refer to the combined "2010-2014 Transit Capital Program" and the "2010-2014 Commuter Capital Program." As described herein, the MTA Capital Programs consist of the following components: Transit Core Program, Commuter Core Program, MTA Bus Program, MTA Capital Construction Program, MTA-Wide Security/Disaster Recovery Program, and MTA Interagency Program.

- The term "Transit Capital Program," as used in connection with any five-year period, shall refer to the capital program for MTA New York City Transit, MaBSTOA and MTA Staten Island Railway that is approved by the Review Board for that five-year period.

- The term "Commuter Capital Program," as used in connection with any five-year period, shall refer to the capital program for MTA Long Island Rail Road and MTA Metro-North Railroad that is approved by the Review Board for that five-year period.

- The term "MTA Bridges and Tunnels Capital Program," as used in connection with any five-year period, shall refer to the capital program for MTA Bridges and Tunnels that is adopted by the Board, but that does not need the approval of the Review Board to become effective.

Financial Operations

The MTA's fiscal year begins on January 1. The MTA Board has adopted financial planning and budgeting practices for the Related Entities that require the preparation of four-year financial plans covering the existing and three future fiscal years. The preparation of the financial plans of the Related Entities includes provision for capital spending (including debt service) authorized by the Capital Programs of the Related Entities, including those Capital Programs approved by the Review Board as described above.

The implementation of the financial plans, as adopted from time to time, and the Capital Programs, as submitted and amended from time to time, are interrelated and complex. Any failure to implement an important component of one can adversely affect the implementation of the other. See generally "FINANCIAL PLANS AND CAPITAL PROGRAMS."

Financial Plans and Budgetary Practices.

- The MTA Board's financial planning and budgeting practices for the Related Entities require the following in each year:
    - In July of each year, MTA Management will submit to the MTA Board a revised forecast of the current year's finances, a preliminary budget for the next year and an update to the four-year financial plan (which includes the next year and the three years thereafter).

- In September, the MTA Board and the operating committees of the MTA Board will include the July preliminary budget and financial plan on their agendas. Public comments will be solicited at the September meeting.
- In November, a revised forecast of the current year's finances and a proposed final budget for the next fiscal year, together with a revised four-year financial plan, will be submitted to the MTA Board.
- A final budget for the next fiscal year, following public comment, will be adopted by the MTA Board by no later than December 31.
- No later than February, the MTA Budget staff will issue a report containing the supporting schedules for the current year budget as adopted by the MTA Board the preceding December, as well as an update to the four-year financial plan.

- Budget and financial plan documents are distributed to certain elected officials and posted on MTA's website for review by the public.

- The Related Entities (other than MTA Bridges and Tunnels) are required by law to adopt an annual budget that is self-sustaining on a cash basis, including self-generated fares and other revenues, as well as operating subsidies of various types from numerous sources, including the State and local governments. MTA Bridges and Tunnels transfers surplus funds to finance the Transit and Commuter Systems.

- MTA is required by law each year to update and submit to the Governor a five-year strategic operation plan (that extends by one year the period covered by the four-year financial plan referenced above) that includes not only estimated operating and capital cost information, but also long-range goals and objectives, planned service and performance standards, and strategies to improve productivity.

- The State Comptroller has promulgated regulations that require the Related Entities to follow certain guidelines in reporting certain budget and financial plan information.

- MTA uses a common chart of accounts to present standardized financial reporting among all of the Related Entities.

- MTA prepares quarterly unaudited consolidated financial statements on behalf of the Related Entities as described below under "—*Quarterly Financial Statement Reports*" and files them on EMMA.

Five-Year Capital Programs.

- The MTA Act requires the preparation of five-year capital programs for the (1) Transit System and MTA Staten Island Railway and (2) Commuter System. MTA has included funding the MTA Bus capital program in approved Capital Programs as well as certain MTA Bridges and Tunnels security projects which are similarly included in a broader list of security projects in approved Capital Programs.

- Though not required by law, MTA Bridges and Tunnels prepares its own capital program that covers the same time period as the MTA Capital Programs.

- MTA Bus' annual capital program is prepared by MTA and funded through capital programs approved by the Review Board and other available moneys.

- The capital programs of MTA Bridges and Tunnels and MTA Bus are not required to be approved by the Review Board.

- For information relating to the most recent Capital Programs, see "FINANCIAL PLANS AND CAPITAL PROGRAMS."

Quarterly Financial Statement Reports. MTA issues unaudited quarterly financial statement reports for the Related Entities on a consolidated basis. The reports will be filed with EMMA and will be posted on MTA's website. The review of the quarterly financial statements is conducted in accordance with the standards established by the American Institute of Certified Public Accountants.

Interagency Loans. The Related Entities are authorized to transfer their revenues, subsidies and other moneys or securities to another Related Entity for use by such other Related Entity, provided at the time of such transfer it is reasonably anticipated that the moneys and securities so transferred will be reimbursed, repaid or otherwise provided for by the end of the next succeeding calendar year. The use of such interagency loans allows for cash flow management on a more efficient MTA-wide basis and allows the Related Entities to meet their operating needs and other periodic financial commitments generally without the use of public or private cash flow borrowings.

Public Statements and Reports by Others. From time to time, the Governor, the State Comptroller, the Mayor of the City, 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 herein or in budgets or financial plans prepared by MTA. While MTA may not directly respond to each such statement or action, MTA intends to keep its Combined Continuing Disclosure Filings current and to prepare the quarterly financial statement reports and financial plan updates described above. Investors and other market participants should refer to MTA's filings on EMMA, from time to time, for information regarding the Related Entities and their financial condition.

Management

- The Chairman and Members of MTA, by statute, are also the Chairman and Members of the other Related Entities.

- The Chairman of MTA is the Chief Executive Officer of MTA, who is responsible for the discharge of the executive and administrative functions and powers of the Related Entities. The Chief Executive Officer of MTA is, *ex officio*, the Chief Executive Officer of the other Related Entities.

- Each of the Related Entities has its own management that is responsible for its day-to-day operations.

The following are brief biographies of MTA's senior officers.

Fernando Ferrer, Vice Chairman of the MTA, is serving as Acting Chairman pending confirmation by the State Senate of Thomas F. Prendergast, who was nominated on April 12, 2013 by the Governor to serve as Chairman and Chief Executive Officer, as the successor to Joseph J. Lhota who resigned as Chairman effective December 31, 2012. Mr. Ferrer was appointed Vice Chairman of the MTA Board at the December 19, 2012 MTA Board meeting, succeeding Andrew Saul in that position. Following Mr. Lhota's resignation as Chairman and Chief Executive Officer of the MTA, Mr. Ferrer, as MTA Vice Chairman, began serving as Acting Chairman of the MTA, in accordance with the MTA By-Laws.

Mr. Ferrer is also co-chairman and a partner at Mercury, a high-stakes public strategy firm. He also serves as a director of Sterling Bancorp, Sterling National Bank, and the Regional Plan Association. Mr. Ferrer served in the New York City Council from 1982 to 1987 before being elected Bronx Borough President from 1987 through 2001. During his 14-year tenure he created housing for about 66,000 families. The borough saw a significant drop in crime, particularly in the South Bronx, and a steady rise in business and real estate investment. In 2005, Mr. Ferrer became the first Latino to the win the Democratic Party nomination for New York City Mayor. He served as president of the Drum Major Institute for Public Policy, a non-profit, progressive think tank dedicated to economic and social justice; on the board of the Campaign for Fiscal Equity; and chaired the board of the Banana Kelly Community Improvement Association. Mr. Ferrer earned his BA degree from the University Heights College of Arts and Sciences of New York University, and his MPA degree from Baruch College of the City University of New York. He has been awarded honorary degrees from Manhattan, Mercy, Herbert H. Lehman and Metropolitan

Colleges, the Eugene J. Keogh Public Service Awards from the Alumni Association of New York University, as well as hundreds of awards from schools, community groups, institutions and faith communities.

Thomas F. Prendergast, Interim MTA Executive Director since January 1, 2013. Mr. Prendergast, who was nominated on April 12, 2013 by the Governor to serve as MTA Chairman and Chief Executive Officer, began his career in transportation with the Chicago Transit Authority in 1975. From there he joined the Department of Transportation in Washington, D.C., and then moved to MTA New York City Transit in 1982 as Assistant Director, System Safety. In 1984, he was named Chief of System Safety; in 1987, MTA Staten Island Railway General Manager; and, in 1989, the agency's Chief Electrical Officer. In 1990, Mr. Prendergast was named Senior Vice President, Department of Subways. In 1994, Mr. Prendergast left MTA New York City Transit to become President of MTA Long Island Rail Road. In 2000, he joined the private sector and served as a transportation consultant on numerous projects in the United Kingdom, North America and Asia. In 2008, he returned to the public sector as Chief Executive Officer of TransLink, the Vancouver, British Columbia transportation system. In December 2009 he became President of MTA New York City Transit. Mr. Prendergast holds an engineering degree from the University of Illinois.

Robert E. Foran, Chief Financial Officer since April 2010. Mr. Foran is responsible for the Management and Budget, Finance, Real Estate, Treasury and Comptroller departments at the MTA. Prior to this position, Mr. Foran spent 28 years as an investment banker in public finance, including 16 years as the head of public finance for Bear, Stearns & Co. Inc. Mr. Foran started his career in the audit division of Arthur Andersen & Co. where he became a Certified Public Accountant. Mr. Foran is a graduate of Bob Jones University and the Harvard Business School.

James B. Henly, General Counsel since January 2007. Prior to joining MTA, Mr. Henly served as Chief of the Litigation Bureau at the Office of State Attorney General (1999 to January 2007) and as an Assistant Corporation Counsel in the New York City Law Department (1991 to 1999). Mr. Henly also was a law clerk to United States District Court Judge Robert W. Sweet, Southern District of New York and a litigation associate at the firm of Debevoise & Plimpton. Mr. Henly received a B.A. from Stanford University in 1984 and a J.D. from Yale Law School in 1987.

Nuria I. Fernandez, Chief Operating Officer since November 2011. Ms. Fernandez has over 30 years of experience in the transportation field and a professional career that includes planning, design and construction of mass transit systems, airport operations and policy development of federal transportation programs. Prior to joining the MTA, Ms. Fernandez's accomplishments include managing the operations of O'Hare International Airport, providing high-level policy and program expertise at the U.S. Department of Transportation and managing the design and construction of multi-billion dollar rail expansion programs in Chicago and Washington, D.C. At the MTA, Ms. Fernandez is responsible for the overall security of the MTA system, development of its capital and environmental sustainability programs, federal and state government affairs and management oversight of the five operating agencies and the capital construction company. Ms. Fernandez has a B.S. in Civil Engineering from Bradley University and an M.B.A. from Roosevelt University in Illinois.

PART 2. FINANCIAL INFORMATION

REVENUES OF THE RELATED ENTITIES

The following is a general description of certain revenues generated by the Related Entities. While it is not a complete list of all revenues available, it does cover substantially all the revenues pledged to pay any one or more of the securities described in Part 3 to this Appendix A under "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS." Each different MTA or MTA Bridges and Tunnels credit is supported by different revenue streams. Reference is made to the audited financial statements of the various entities for more information relating thereto. The information in the audited financial statements may differ from the information set forth below in certain respects due to the classification of revenues or timing of receipt thereof. For example, while the Related Entities use a calendar year as their fiscal year, the State has a fiscal year that begins on April 1. Some of the information set forth below and under the caption "DEDICATED TAX FUND BONDS" relating to the State subsidies reflects revenues received during the State's fiscal year.

Collections of the different sources of revenues available to the Related Entities have varied, in some cases substantially, for a variety of reasons over the last ten years. Most of the revenues (including fares and tolls, dedicated taxes and miscellaneous concession and other revenues) are affected by general and local economic factors, including employment levels, stock market valuations and general economic activity, such as retail sales. The real estate-based revenues (i.e., the mortgage recording taxes and the urban taxes for the Transit System), which are equal to set percentages of the valuations of taxed transactions, have been adversely affected in the past four to five years by the lower level of commercial and residential real property transactions, as well as the generally lower value of real estate. In addition, the State's and the City's fiscal condition could affect their ability to subsidize the Related Entities and could affect their willingness to continue to provide the revenues at given levels.

Fares and Tolls

Ridership and Use of Bridges and Tunnels. The level of fare revenues depends to a large extent on MTA's ability to maintain and/or increase ridership levels on the Transit System, Commuter System and MTA Bus System. Similarly, the level of toll revenues depends to a large extent on MTA Bridges and Tunnels' ability to maintain and/or increase use levels on its bridges and tunnels. Those ridership and use levels are affected by safety and the quality and efficiency of systems operations as well as by financial and economic conditions in the New York metropolitan area.

Fare and Toll Policy. MTA determines the fares charged to users of the Commuter System and the MTA Bus System; MTA New York City Transit and MaBSTOA, together with MTA, do the same for the Transit System; and MTA Bridges and Tunnels does the same for the MTA Bridges and Tunnels Facilities. After adopting operating expense budgets and assessing the availability of governmental subsidies (other than in the case of MTA Bridges and Tunnels), each makes a determination of fares and tolls necessary to operate on a self-sustaining cash basis in compliance with State law and covenants in the relevant bond resolutions. After taking into consideration the impact of increased fares on riders and increased tolls on bridge and tunnel users and of both on the regional economy, MTA may attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares and/or tolls. As a result, even though MTA does not generally need other governmental approvals before setting fares and MTA Bridges and Tunnels does not generally need other governmental approvals before setting tolls, the amount and timing of fare and toll increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. In the case of the New Haven Line, MTA's ability to change fares is subject to the approval of the Connecticut Department of Transportation ("CDOT") pursuant to the terms of the joint service agreement among MTA, MTA Metro-North Railroad and CDOT. At the present time, MTA is exempt from all Federal requirements relating to fares charged on interstate travel on the New Haven Line. MTA's obligation to obtain approval of fare increases on the New Haven line from CDOT can also affect the amount and timing of fare increases.

Methods of Payment and Collection. MTA New York City Transit employs an automated fare collection ("AFC") system that utilizes MetroCard, as more fully described under "STATISTICAL INFORMATION – RIDERSHIP AND FACILITIES USE – Transit System (MTA New York City Transit and MaBSTOA) Ridership – *Automated Fare Collection*." In addition to in-system sales at station booths and through vending machines, MetroCards are presently sold through out-of-system vendors, by MTA Long Island Rail Road, MTA Metro-North

Railroad, and other entities that use MetroCard and directly to businesses. In connection with certain of these sales, a sales commission is netted out of the amounts paid to MTA New York City Transit.

MTA New York City Transit offers an Easy Pay Express pre-payment program wherein customers pay for their rides automatically by linking their MetroCard to a credit card or debit card. MTA New York City Transit also has a program with senior citizens wherein their MetroCard usage is determined at the end of the month and they are retroactively charged at the least cost based upon their usage.

MTA New York City Transit has integrated its MetroCard system with MTA Bus, NICE Bus, PATH, JFK Air Train, Westchester County Bee Line, and Roosevelt Island Tram.

Several ticket purchase options are available to MTA Long Island Rail Road and MTA Metro-North Railroad customers. Most station windows and vending machines accept cash and credit and debit cards for the purchase of tickets. The MTA's website allows customers to purchase tickets using a credit card and have them mailed within five business days. Also via the website customers can establish individual Mail-and-Ride accounts for the purchase of monthly tickets, which are mailed just prior to the beginning of each month.

MTA Metro-North Railroad customers may purchase one-way tickets onboard all trains using cash. On a limited basis, MTA Long Island Rail Road customers may purchase one-way tickets onboard and at special events using cash and credit cards.

MTA Bridges and Tunnels employs an electronic toll collection system ("E-ZPass") at all of its bridges and tunnels. MTA Bridges and Tunnels' E-ZPass program generally requires prepayment on behalf of the customers. Substantially all of the E-ZPass users prepay with credit cards or checks. MTA Bridges and Tunnels launched its "MTA Reload Card" pilot program on February 23, 2012. This program allows customers who wish to replenish their accounts with cash to receive an MTA Reload Card that is directly linked to their E-ZPass accounts. In addition, MTA Bridges and Tunnels introduced E-ZPass "Pay per Trip" in November 2012, which enables customers to set up an E-ZPass account without a pre-paid balance. Those interested in this program pay for their tolls each day through an Automated Clearinghouse (ACH) deduction from their checking account.

Payment by means other than cash (1) creates a potential risk of actual collection and (2) could delay the timing of the actual receipt of payment by the providers. Following the standard industry practice for credit, debit and smart cards, fare and toll payments made by those means will produce cash receipts to the applicable authority and trustee which are net of standard discounts and transaction fees to the merchant processors, card associations and card issuers. Further, (a) the collection of fares and tolls by other governmental entities using an integrated payment system, such as MetroCard or E-ZPass, whereby a customer can purchase a card or pass from any of the entities for use on all of the systems, and (b) the use of the Related Entities' electronic media at commercial establishments, may subject the amounts due to MTA New York City Transit, MTA Bus and MTA Bridges and Tunnels to multiple liens and claims prior to the time that the fares or tolls are actually earned through use of the applicable facilities. The payment of fares and tolls by non-cash methods, including checks and credit, debit and smart cards, is subject to, among other things, collection risk, including, without limitation, bankruptcy, insolvency and other creditor and debtor rights involving both the user of the facilities and the collection and processing entities.

Fare and Toll Increases During the Last Decade. Fares on the commuter rail, subway and bus systems did not change between 1995 and 2003* and tolls did not increase between 1996 and 2003, both among the longest periods of time without an increase in the history of the systems. During this period, the State increased certain special tax supported operating subsidies and fees in order to assist in the funding of operations and the approved capital programs. Due to general national and regional economic conditions since 2001, fares and tolls have been increased at various times. While ridership of the Transit and Commuter Systems and use of the MTA Bridges and Tunnels Facilities have fluctuated, fare and toll increases have allowed the revenues derived from such sources to generally increase during the last decade. Fares and tolls were increased effective in 2003, 2005, 2008, 2009, 2010 and 2013 as more fully described herein under the following captions "RIDERSHIP AND FACILITIES USE": "Transit

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* Fares did not increase, but intermodal transfers, unlimited ride passes, and bonus value were all introduced in this period.

System (MTA New York City Transit and MaBSTOA) Ridership – *Fares*," "Commuter System Ridership – *Fares,*" "MTA Bus Ridership – *Fares*," and "MTA Bridges and Tunnels – Total Revenue Vehicles."

Transit System Fares. Revenues are derived from fares charged to users of the Transit System. Fare revenues on an accrual basis (not including school, elderly and paratransit reimbursement described below) for the past ten years are as follows:

Year	Fare Revenues (in millions)	Year	Fare Revenues (in millions)
2003	$2,396	2008	$3,029
2004	2,570	2009	3,133
2005	2,643	2010	3,320
2006	2,759	2011	3,629
2007	2,855	2012	3,723

The 2013 projected fare revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget is $4,018 million.

The current fare schedule includes a basic bus and subway fare of $2.50, as well as a variety of discounted fare arrangements (as described in the next paragraph) covering the majority of passenger trips. Special fares are available for senior citizens, persons with disabilities and school children and on certain special services. For a description of historical fare levels and payment and collection methods and discount programs, see "STATISTICAL INFORMATION – RIDERSHIP AND FACILITIES USE – Transit System (MTA New York City Transit and MaBSTOA) Ridership – *Fares*" and "RIDERSHIP AND FACILITIES USE – Transit System (MTA New York City Transit and MaBSTOA) Ridership – *Automated Fare Collection.*"

For MetroCard users only, MTA has continued the elimination of two-fare zones, as well as the provision of volume bonuses (a 5% increase in the face value of purchases of MetroCards costing $5 or more), unlimited-ride 7-day and 30-day subway and bus passes and unlimited-ride 7-day combined express bus and regular bus/subway passes. MTA also offers a program for unlimited-ride 30-day and 7-day express pass holders that enables the holder to replace his or her lost pass at no cost (limit of 2 per calendar year per holder) if the pass was paid for by credit or debit card. Although these programs decrease revenues per trip, MTA currently projects that, over the next few years, revenues derived from fares charged to users of the Transit System will increase. In 2013, the MTA implemented a $1.00 "green" fee for each new MetroCard bought in the subway system in an effort to reduce the cost attributable to the high volume of MetroCards produced and discarded. See "RIDERSHIP AND FACILITIES USE – Transit System Ridership – *Automated Fare Collection.*"

MTA New York City Transit may fix and adjust Transit System fares without the approval or consent of any other body or entity. However, as a recipient of Federal funding, MTA New York City Transit is obligated to receive public comment prior to raising fares.

Transit System Fare Reimbursements from the City. MTA New York City Transit and MaBSTOA are required by law to permit, upon the request of the Mayor of the City, free or reduced fares for one or more classes of users of their facilities upon the agreement of the City to assume the burden of the resulting differential in fares and the associated administrative costs. Pursuant to an ongoing request of the Mayor, MTA New York City Transit and MaBSTOA have instituted free fare programs for certain school children and, as a requirement for obtaining grants from the Federal government, have continued a half-fare program for senior citizens and have instituted a half-fare program for eligible disabled persons.

In 1995, the City ceased reimbursing MTA for the full costs of the free/reduced fare program for students. Beginning in 1996, the State and the City each began paying $45 million per annum to MTA toward the cost of the program. In 2009, the State reduced its $45 million reimbursement to $6.3 million but subsequently increased it to $25.3 million in 2010. The 2010 reimbursement levels were maintained in 2011 and 2012 by both the State and City.

MTA Bus Fares. Revenues are derived from fares charged to users of the MTA Bus System that are the equivalent of fares charged on the bus systems operated by MTA New York City Transit. Fare revenues on an accrual basis (not including school, elderly and paratransit reimbursement) since 2006 are as follows:

Year	Fare Revenues (in millions)
2006	$125.1
2007	139.8
2008	155.3
2009	160.0
2010	167.8
2011	179.0
2012	181.9

The 2013 projected fare revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget, is $195 million.

Commuter System Fares. Revenues, on an accrual basis, are derived from fares charged to users of the Commuter System. Fare revenues on an accrual basis for the past ten years are as follows:

Year	Fare Revenues (in millions)	Year	Fare Revenues (in millions)
2003	$771	2008	$1,009
2004	814	2009	1,011
2005	880	2010	1,050
2006	912	2011	1,140
2007	956	2012	1,169

The 2013 projected fare revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget is $1,314 million.

Fares are set in accordance with complicated formulae and vary in relation to the distance traveled. Discounts are generally available for travel during off-peak hours, for senior citizens, children and persons with disabilities, and for the purchase of weekly or monthly tickets by commuters. Mail and Ride monthly ticket purchasers can also receive an additional 2% discount for purchasing a joint 30-day unlimited-ride MetroCard with their monthly commuter ticket.

MTA Bridges and Tunnels Toll Revenues. Revenues are derived from tolls at the MTA Bridges and Tunnels Facilities. Toll revenues on an accrual basis for the past ten years are as follows:

Year	Toll Revenues (in millions)	Year	Toll Revenues (in millions)
2003	$1,022	2008	$1,274
2004	1,097	2009	1,332
2005	1,205	2010	1,417
2006	1,242	2011	1,502
2007	1,251	2012	1,491

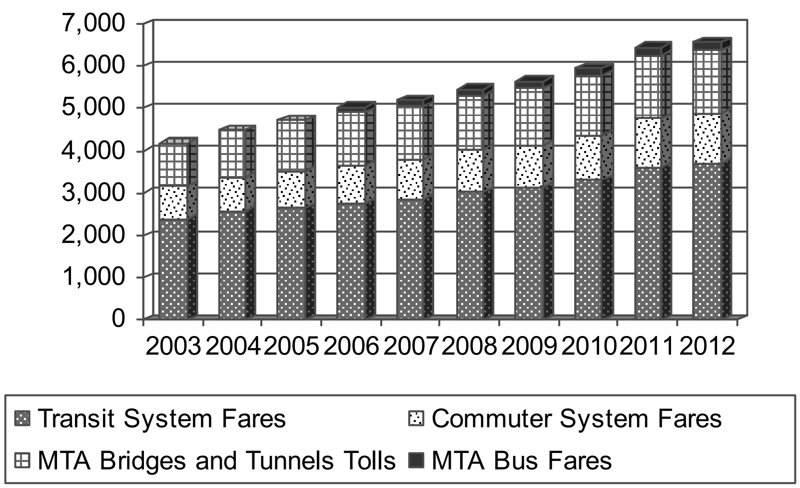
The 2013 projected toll revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget, is $1,595 million.

The average toll in 2012 was $5.28, which was about the same as in 2011 when it was $5.30.

For more information relating to MTA Bridges and Tunnels' tolls, see "RIDERSHIP AND FACILITIES USE – Toll Rates." See also the Stantec Report under the caption "TOLL COLLECTION ON THE TBTA FACILITIES."

Combined Transit System, MTA Bus System, Commuter System and MTA Bridges and Tunnels Facilities fares and tolls. The following bar chart shows the level of combined Transit System, MTA Bus System, Commuter System and MTA Bridges and Tunnels Facilities fare and toll revenues since 2003.

Fares and Tolls
(in $ millions)



State and Local General Operating Subsidies

Section 18-b Program. The Section 18-b Program, a statewide mass transportation operating assistance program, is administered by the State Commissioner of Transportation (the "Section 18-b Program"). Section 18-b Program payments to MTA for the Transit System and Commuter System are made quarterly on the basis of specific annual appropriations by the Legislature, rather than pursuant to the formula set forth in the statute that is applicable to other transportation systems throughout the State. The City and the counties served by the Commuter System are required to make matching payments. The level of general operating subsidies paid annually to the Related Entities is not dependent on the level of collection of certain taxes or fees or any statutory formula. Consequently, the amount paid to the Related Entities under the Section 18-b Program is dependent on the willingness and the overall financial ability of the State, the City and such counties to make such payments. The cessation of Metropolitan Suburban Bus Authority* operations at the end of 2011 resulted in lower Section 18-b payments in 2012.

* The MTA subsidiary Metropolitan Suburban Bus Authority discontinued its provision of transportation services at the end of 2011. Its activities are limited to the winding up of its affairs.

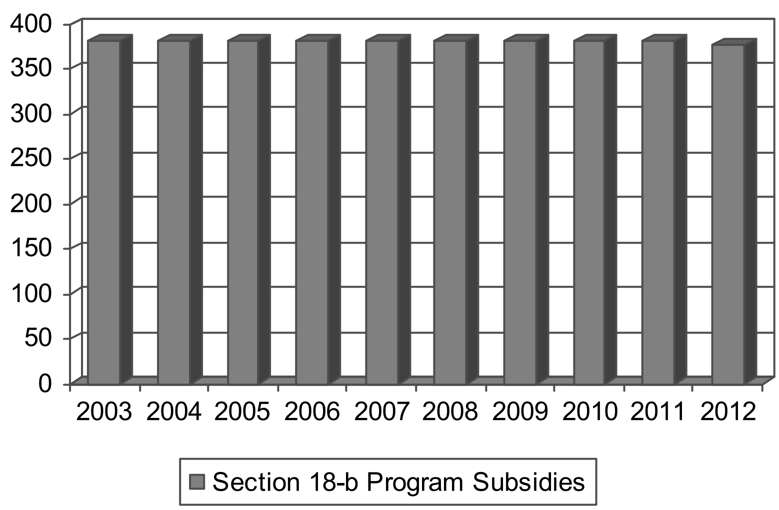
Section 18-b Program payments on an accrual basis for the past ten years are as follows:

Year	Section 18-b Program Payments (in millions)	Year	Section 18-b Program Payments (in millions)
2003	$381.9	2008	$381.7
2004	381.8	2009	380.9
2005	381.8	2010	380.9
2006	381.8	2011	380.9
2007	381.8	2012	375.8

The 2013 projected 18-b Program revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget is $375.8 million.

The following bar chart shows the level of Section 18-b Program payments made since 2003.

Section 18-b Program Payments
(in $ millions)



The State appropriates substantially all of such Section 18-b Program payments from a separate account (the "Transportation District Account") in a special State fund, the Mass Transportation Operating Assistance Fund (the "MTOA Fund"), the revenues of which are derived from the special taxes described below under "State Special Tax Supported Operating Subsidies". The remainder of such payments is appropriated from the State's General Fund. Appropriation from the Transportation District Account reduces the amount that would otherwise be available to be appropriated to (1) MTA New York City Transit and MaBSTOA, and (2) MTA for the Commuter System, from such Account, as described below under "State Special Tax Supported Operating Subsidies — *MTTF Receipts and MMTOA Receipts*."

Under the Section 18-b Program:

- Whenever MTA New York City Transit or MaBSTOA receives a payment from the State, the City is required to make a matching payment in accordance with amounts established by the Legislature. In the event the City fails to make any required payment, the State Comptroller is authorized to withhold an equivalent amount from certain State aid to the City and to pay such amount directly to MTA New York City Transit or MaBSTOA.
- Whenever MTA receives an 18-b Program payment from the State for the Commuter System, the City and counties served by the Commuter System are required to make a matching payment in accordance with amounts established by the Legislature. In the event the City and counties fail to make any required payment, the State Comptroller is authorized to withhold an equivalent amount from certain State aid to the City and counties and to pay such amount directly to MTA for the Commuter System.

State Special Tax Supported Operating Subsidies

MTTF Receipts and MMTOA Receipts. Since 1980, in response to anticipated operating deficits of State mass transit systems, the State has enacted legislation dedicating to the Related Entities specified portions of statewide and regional taxes and fees. Currently, subject to annual appropriation, a specified share of the following revenues are paid to the Related Entities:

- the Mass Transportation Trust Fund Receipts (the "MTTF Receipts") represent the portion of the funds deposited in the State's dedicated mass transportation trust fund that are subsequently paid to MTA by deposit into an MTA dedicated tax fund (the "Dedicated Tax Fund"). The MTTF Receipts are 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
    - certain motor vehicle fees, including both registration and non-registration fees; and
- the Metropolitan Mass Transportation Operating Assistance Account Receipts (the "MMTOA Receipts"), represent the portion of the funds in the State's MMTOA Account (hereinafter defined) that are subsequently paid to MTA by deposit into the Dedicated Tax Fund. The MMTOA Receipts are derived from:
    - a 3/8 of one percent regional sales tax;
    - a temporary regional franchise tax surcharge on certain businesses;
    - taxes on certain transportation and transmission companies; and
    - an additional portion of the business privilege tax imposed on petroleum businesses.

See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – DEDICATED TAX FUND BONDS – MTTF Receipts – Dedicated Petroleum Business Tax" and " – Motor Fuel Tax" for a more detailed description of the MTTF Receipts.

See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – DEDICATED TAX FUND BONDS – MMTOA Account – Special Tax Supported Operating Subsidies" for a more detailed description of the MMTOA Receipts.

The following table sets forth the amount of MTTF Receipts and MMTOA Receipts received by MTA on an accrual basis in each of the last ten years.

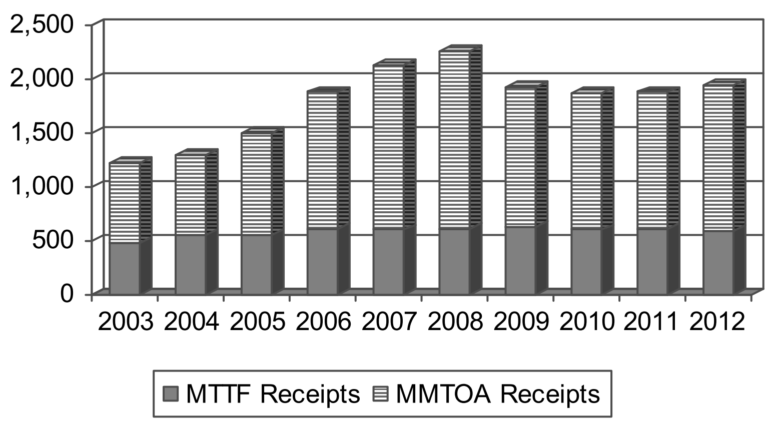
Year	MTTF Receipts (in millions)	MMTOA Receipts (in millions)	Total*
2003	$486.2	$ 729.4	$1,215.6
2004	558.2	734.9	1,293.2
2005	561.2	944.7	1,506.0
2006	612.7	1,266.7	1,879.4
2007	601.5	1,522.9	2,124.4
2008	612.7	1,647.8	2,260.5
2009	628.3	1,291.8	1,920.1
2010	602.3	1,266.9	1,869.2
2011	619.6	1,259.4	1,882.0
2012	600.2	1,351.1	1,940.6

*Totals may not add due to rounding.

The 2013 projected MTTF receipts are $630.9 million and projected MMTOA receipts are $1,484.9 million, on a cash basis, as reported in the MTA 2013 Adopted Budget.

The following bar chart shows the level of State special tax supported operating subsidies payments since 2003.

State Special Tax Supported Operating Subsidies Payments
(in $ millions)



Use of MTTF Receipts and MMTOA Receipts. MTTF Receipts are used first to pay debt service on the Dedicated Tax Fund Bonds described under “PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS.” To the extent that MTTF Receipts are insufficient, MMTOA Receipts are used to pay the remainder of the debt service on the Dedicated Tax Fund Bonds. All remaining MTTF Receipts and MMTOA Receipts are then allocated to MTA New York City Transit and the Commuter System in accordance with the formula provided by statute (85% to the Transit System and 15% to the Commuter System in the case of MTTF Receipts); the relative percentage of that year’s State appropriation to the Transit System and the Commuter System, respectively, in the case of MMTOA Receipts; in each case, in order to establish compliance with the statutory formulae, payments allocated to the Transit System and the Commuter System are adjusted to take into account the respective amounts used to pay debt service on Dedicated Tax Fund Bonds issued for the Transit System and the Commuter System, respectively.

Collections of each of the above-referenced subsidies vary depending on the level of business activity, either statewide or regionally. In addition, all of these subsidies are subject to State appropriation. As part of the State's deficit reduction plan in 2009, the Legislature reduced its prior appropriations to MTA for 2009 by $143 million. This was the only time that an existing appropriation to MTA had been reduced under circumstances in which the money was derived from a "dedicated" MTA tax and had already been collected by the State.

Metropolitan Transportation Authority Financial Assistance Fund Receipts

Mobility Tax Trust Account Receipts. In May 2009, the Governor signed legislation imposing a new payroll mobility tax within the MTA Commuter Transportation District. A tax of 0.34% was imposed on the payroll expense of every employer who engages in business within the MTA Commuter Transportation District and the net self-employment earnings of individuals that are attributable to the MTA Commuter Transportation District. The tax became effective on March 1, 2009 for employers other than public school districts and on September 1, 2009 for public school districts. Initial payments of the mobility tax, including all retroactive liability, were due coincident with an employer's first withholding tax payment owed on or after October 31, 2009. Subject to appropriation, revenue from the mobility tax is deposited in the Mobility Tax Trust Account in the MTA Financial Assistance Fund.

On December 9, 2011, Governor Cuomo signed into law legislation that made significant changes to the payroll mobility tax (the "December 2011 Legislation"). These amendments to the May 2009 legislation eliminate or reduce the payroll mobility tax imposed within the MTA Commuter Transportation District for certain taxpayers. Employers with payroll expense less than or equal to $312,500 in any calendar quarter, any public school district, a board of cooperative educational services, a public elementary or secondary school, a school serving students with disabilities of school age and any nonpublic elementary or secondary school that provides instruction in grade one or above is no longer required to pay the payroll mobility tax, as of the quarter that began April 1, 2012. In addition, individuals with net earnings from self-employment attributable to the MTA Commuter Transportation District that do not exceed $50,000 for the tax year are no longer subject to the tax. Employers with payroll expense no greater than $375,000 in any calendar quarter are subject to a reduced tax rate of 0.11%; employers with payroll expense greater than $375,000 but not greater than $437,500 in any calendar quarter are subject to a reduced tax rate of 0.23%. Employers with payroll expense in excess of $437,500 in any calendar quarter continue to pay a tax rate of 0.34%. The employer rate changes became effective beginning April 1, 2012.

The December 2011 Legislation further expressly provided that any reductions in aid to MTA attributable to these reductions in the payroll mobility tax "shall be offset through alternative sources that will be included in the state budget" (the "PMT Revenue Offset").

The 2013-2014 State Enacted Budget includes an appropriation of $307 million to MTA for the PMT Revenue Offset.

Subject to appropriation, revenues in the Mobility Tax Trust Account collected from the mobility tax are deposited by MTA when received from the State into the MTA Finance Fund. These mobility tax funds received by MTA 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 the Related Entities, or (ii) used by MTA to pay capital costs, including debt service of the Related Entities. Subject to the provisions of any such pledge, or in the event there is no such pledge, the payroll mobility tax revenues can be used by MTA to pay for costs, including operating costs of the Related Entities. MTA currently expects to issue bonds under separate bond resolutions payable from both revenue from the mobility tax and the MTA Aid Trust Account Revenues described below.

For State Fiscal Year 2012-2013, the State collected an estimated $1,160 million in mobility tax revenues and transferred an additional $24.0 million representing the State's mobility tax liability from the General Fund to the Mobility Tax Trust Account. For 2012, on an accrual basis, MTA received $1,263.8 million in mobility tax revenues and $254.9 million in PMT Revenue Offset. The 2013 projected Mobility Tax Trust Account Receipts, on a cash basis, as reported in the MTA 2013 Adopted Budget, are $1,248.0 million, and the projected PMT Revenue Offset amount, on a cash basis, as reported in the MTA 2013 Adopted Budget is $310.0 million.

Certain litigation has been filed challenging the mobility tax and certain other revenues. See "REGULATORY, EMPLOYMENT, INSURANCE AND LITIGATION MATTERS – LITIGATION – MTA – *Mobility Tax Litigation.*"

MTA Aid Trust Account Receipts. The May 2009 legislation also directed revenues from the following four new taxes and fees to the MTA Aid Trust Account of the MTA Financial Assistance Fund:

- a supplemental motor vehicle license fee of a dollar per six month interval in the MTA Commuter Transportation District (effective September 1, 2009);
- in the MTA Commuter Transportation District, a supplemental motor vehicle registration fee of $25 for each year that the registration is valid (effective September 1, 2009);
- a tax of fifty cents per taxicab ride on every ride that originates in the City and terminates anywhere within the territorial boundaries of the MTA Commuter Transportation District (effective November 1, 2009); and
- a supplemental tax of 5% on passenger car rentals in the MTA Commuter Transportation District (effective June 1, 2009).

Subject to appropriation, these revenues, received in the MTA Aid Trust Account, are paid by the State into the Corporate Transportation Account of the MTA Special Assistance Fund. These revenues may be pledged by MTA or pledged to MTA Bridges and Tunnels to secure debt of MTA or MTA Bridges and Tunnels. Subject to the provisions of such pledge, or in the event there is no such pledge, such new revenues can be used by MTA for the payment of operating and capital costs of the Related Entities.

The following chart shows the revenues collected from each of the new taxes and fees for partial State Fiscal Year 2009-2010, State Fiscal Year 2010-2011, State Fiscal Year 2011-2012 and estimates for State Fiscal Year 2012-2013:

MTA Aid Trust Account Revenues
(in millions)

Year	Supplemental License Fee	Supplemental Registration Fee	Taxicab Tax	Supplemental Auto Rental Tax	Total
2009-10	$ 8.8	$ 79.2	$12.8	$24.4	$125.2
2010-11	22.3	158.0	81.1	35.0	296.4
2011-12	26.0	159.8	86.8	39.0	311.6
2012-13*	24.6	156.4	86.0	41.0	308.0

Source: New York State Division of the Budget
* Estimate

The 2013 projected MTA Aid Trust Account Receipts, on a cash basis, as reported in the MTA 2013 Adopted Budget, is $310.7 million.

Urban Taxes for Transit System

In addition to the aforementioned special tax supported subsidies, a portion of the amounts collected by the City from certain mortgage recording and real property transfer taxes with respect to certain real property located within the City (collectively, the "Urban Taxes") are, as required by State statute, paid by the City's Commissioner of Finance directly to MTA New York City Transit on a monthly basis. As in the case of mortgage recording taxes described below, the Urban Taxes can change dramatically from year to year depending on the level of real estate activity.

The following table sets forth the amount of Urban Taxes received by MTA New York City Transit on an accrual basis in each of the last ten years.

Year	Urban Taxes (in millions)	Year	Urban Taxes (in millions)
2003	$173.1	2008	$490.4
2004	360.2	2009	154.4
2005	594.6	2010	214.8
2006	751.6	2011	370.1
2007	953.3	2012	468.4

The 2013 projected Urban Tax revenue, on a cash basis, as reported in the MTA 2013 Adopted Budget is $460.6 million.

A bar chart showing the amount of Urban Taxes received by MTA New York City Transit on an accrual basis in each of the last ten years, together with MRT-1 Receipts and MRT-2 Receipts (as each is hereinafter defined), which are the other real estate-based taxes that the MTA receives, is set forth below under "Mortgage Recording Taxes."

MTA Bridges and Tunnels Surplus

General. MTA Bridges and Tunnels provides capital and operating assistance to the Transit and Commuter Systems in three important ways:

- it pays debt service on bonds that were issued to finance Transit and Commuter capital projects,
- it generates annual MTA Bridges and Tunnels Operating Surplus, as described below, that is distributed to MTA New York City Transit and to MTA for the commuter railroads in accordance with a statutorily mandated formula, and
- it generates an annual MTA Bridges and Tunnels Surplus Investment Income, as described below, that is distributed at the discretion of the MTA Board.

A putative class action suit was filed in 2011 alleging that the use of MTA Bridges and Tunnels' toll revenue to subsidize MTA and MTA New York City Transit pursuant to statute is unconstitutional. See below under the caption "LITIGATION—MTA Bridges and Tunnels – *Angus Partners LLC et al. v. Walder et al.*"

From 2005-2007, MTA Bridges and Tunnels did not issue new money bonds to finance capital projects for the benefit of the Transit and Commuter Systems. On March 27, 2008, MTA Bridges and Tunnels issued General Revenue Bonds, Series 2008A and Series 2008B ("Series 2008 Bonds"), in the aggregate principal amount of $1,075 million. The Series 2008 Bonds were issued to finance bridge and tunnel projects, and were used to refinance indebtedness issued by MTA or MTA Bridges and Tunnels and to finance Transit and Commuter projects. In July 2008, MTA Bridges and Tunnels issued General Revenue Bonds, Series 2008C and Series 2008D, in the aggregate principal amount of $1,121 million. These bonds were used to refinance outstanding indebtedness issued by MTA and MTA Bridges and Tunnels. In 2009, 2010, 2011 and 2012, MTA Bridges and Tunnels did not issue any new money bonds to finance capital projects for the benefit of the Transit and Commuter Systems.

The following chart sets forth for the last eight years MTA Bridges and Tunnels' total support to the Transit and Commuter Systems, consisting of (a) the debt service paid on bonds issued for Transit and Commuter capital projects, (b) the MTA Bridges and Tunnels Operating Surplus and (c) the MTA Bridges and Tunnels Surplus Investment Income.

Year	Total Support to Transit and Commuter Systems (in millions)
2005	$784
2006	759
2007	735
2008	708
2009	742
2010	843
2011	940
2012	893

MTA Bridges and Tunnels Operating Surplus. Section 569-c of the MTA Bridges and Tunnels Act and Section 1219-a of the MTA New York City Transit Act require MTA Bridges and Tunnels to transfer its operating surplus ("MTA Bridges and Tunnels Operating Surplus") to MTA New York City Transit and to MTA for the commuter railroads in accordance with a statutorily mandated formula hereinafter described.

For such purposes, the MTA Bridges and Tunnels Operating Surplus subject to such transfer is the amount remaining from all tolls and other operating revenues derived from the MTA Bridges and Tunnels Facilities after (1) payment of (a) operating, administration and other expenses of MTA Bridges and Tunnels properly chargeable to such projects, and (b) principal of and sinking fund installments and interest on its bonds, including bonds issued under the MTA Bridges and Tunnels Senior Resolution and the MTA Bridges and Tunnels Subordinate Resolution (as defined under "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS") to the extent, if any, paid from such sources, and (2) provision for (x) reserves and for all contract provisions with respect to any such bonds and (y) other obligations, including MTA Bridges and Tunnels' base rent payments in connection with the 2 Broadway Certificates of Participation, incurred in connection with any of its authorized projects. See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS" in Part 3.

The first $24 million of MTA Bridges and Tunnels Operating Surplus must be allocated to MTA New York City Transit, and any excess is divided equally between MTA New York City Transit and MTA for the benefit of MTA Long Island Rail Road and MTA Metro-North Railroad; however, the cash payments are reduced by the proportional amounts of MTA Bridges and Tunnels' debt service reasonably attributable to the bond proceeds used for their respective benefit.

The MTA Chairman is authorized in his discretion to advance to MTA and MTA New York City Transit monthly, from available funds, an aggregate amount not to exceed 90% of the Chairman's estimate of the sum which that month's operations will contribute to the "operating surplus" of MTA Bridges and Tunnels that he anticipates will or may be certified and transferred for the fiscal year in which such month falls.

As set forth below in the "MTA Bridges and Tunnels Combined Surplus" chart, the MTA Bridges and Tunnels Operating Surplus has fluctuated in amount over the past ten years. It decreased in 2007 and 2008 due primarily to increased operating and debt service costs. In 2009 (a year in which the Total Support provided by MTA Bridges and Tunnels, as shown above, rose relative to 2007 and 2008), Operating Surplus again decreased due primarily to increased debt service costs. In 2010, the Operating Surplus increased, due primarily to increased operating revenues and decreased expenses that year, and in 2011, again increased due primarily to increased operating revenues, a toll increase and decreased expenses. In 2012, the decrease in MTA Bridges and Tunnels Operating Surplus is primarily the result of higher operating expenses and an increase in the funding of the Necessary Reconstruction Reserve.

MTA Bridges and Tunnels Surplus Investment Income. MTA Bridges and Tunnels generates investment income on funds held by it (the "MTA Bridges and Tunnels Surplus Investment Income"). Prior to the debt restructuring in 2002, a large portion of this income was generated by the debt service reserve funds that secured the various MTA Bridges and Tunnels bond issues. With the elimination of the debt service reserve funds in 2002, the income is currently generated principally from the smaller debt service funds and operating and capital reserves held by MTA Bridges and Tunnels.

Combined Surplus Amounts. The MTA Bridges and Tunnels Operating Surplus and the MTA Bridges and Tunnels Surplus Investment Income (together, the "MTA Bridges and Tunnels Combined Surplus") are used to fund the operating expenses of the Transit System and the Commuter System and/or to finance the cost of certain capital costs and projects of the Transit System and the Commuter System, including payment of debt service on obligations of MTA issued to finance such costs and projects. As more fully described above, MTA Bridges and Tunnels Operating Surplus is distributed to MTA New York City Transit and the commuter railroads in accordance with a statutory formula, but the MTA Bridges and Tunnels Surplus Investment Income is distributed at the MTA Board's discretion.

The MTA Bridges and Tunnels Combined Surplus amounts transferred for each of the last ten years on an accrual basis are as follows: the amounts set forth as MTA Bridges and Tunnels Operating Surplus are net of amounts paid for debt service and other obligations described above.

MTA Bridges and Tunnels Combined Surplus

Fiscal Year		MTA New York City Transit Share	MTA Share	MTA Bridges and Tunnels Combined Surplus
2003*				
Operating Surplus		$178,276,053	$251,871,472	$430,147,525
Investment Income		-0-	2,333,684	2,333,684
	Total	$178,276,053	$254,205,156	$432,481,209
2004				
Operating Surplus		$153,579,633	$241,938,839	$395,518,472
Investment Income		-0-	1,368,407	1,368,407
	Total	$153,579,633	$243,307,246	$396,886,879
2005				
Operating Surplus		$179,985,259	$271,719,439	$451,704,698
Investment Income		-0-	5,357,650	5,357,650
	Total	$179,985,259	$277,077,089	$457,062,348
2006				
Operating Surplus		$166,640,098	$259,394,202	$426,034,300
Investment Income		-0-	8,636,828	8,636,828
	Total	$166,640,098	$268,031,030	$434,671,128
2007				
Operating Surplus		$156,474,331	$249,968,331	$406,442,662
Investment Income		-0-	5,558,000	5,558,000
	Total	$156,474,331	$255,526,331	$412,000,662
2008				
Operating Surplus		$120,259,847	$226,854,510	$347,114,357
Investment Income		-0-	4,490,753	4,490,753
	Total	$120,259,847	$231,345,263	$351,605,110
2009				
Operating Surplus		$92,155,625	$222,303,554	$314,459,179
Investment Income		-0-	255,976	255,976
	Total	$92,155,625	$222,559,530	$314,715,155
2010				
Operating Surplus		$152,026,084	$277,083,603	$429,109,687
Investment Income		-0-	146,449	146,449
	Total	$152,026,084	$277,230,052	$429,256,136
2011				
Operating Surplus		$201,544,872	$326,113,156	$527,658,028
Investment Income		-0-	85,100	85,100
	Total	$201,544,872	$326,198,256	$527,743,128
2012				
Operating Surplus		$189,218,673	$308,423,959	$497,642,632
Investment Income		-0-	136,000	136,000
	Total	$201,544,872	$326,198,256	$497,778,632

* Operating Surplus includes approximately $25 million from the settlement of insurance claims resulting from the terrorist attacks on the World Trade Center in 2001, the proceeds of which were received in 2004 but attributed, for accounting purposes, to 2003.

Financial Assistance and Service Reimbursements from Local Municipalities

Commuter System Station Maintenance Payments. The City and each of the seven counties in the MTA Commuter Transportation District outside the City are billed an amount fixed by statute for the operation, maintenance and use of Commuter System passenger stations within the City and each county. The amount is adjusted each year for increases or decreases in the consumer price index for wage earners and clerical workers in the New York, Northeastern-New Jersey Consolidated Metropolitan Statistical Area. The Legislature has not made any changes in the base amounts since 2000. Further modifications may be made by the Legislature. In the event the City or any of the counties do not make their payments on a timely basis, the statute provides a mechanism whereby the State Comptroller can withhold certain other payments in order to satisfy the payments to MTA. Consequently, the Commuter System station maintenance payments are stable and generally grow gradually with corresponding annual changes in inflation.

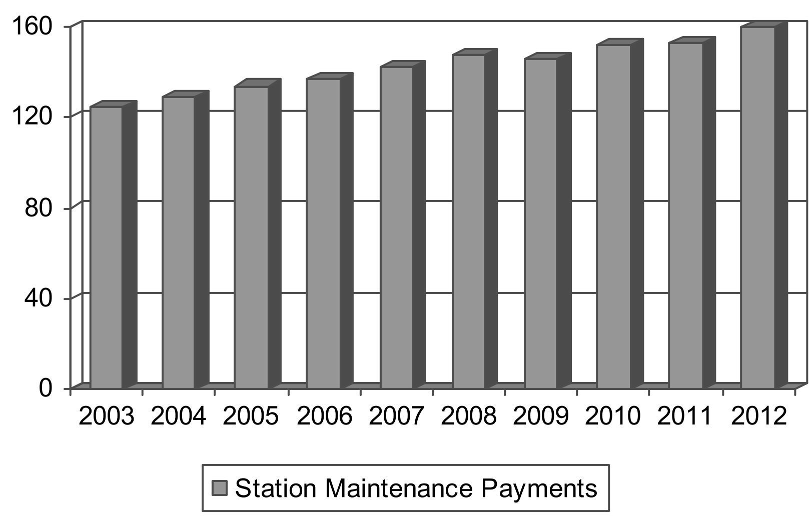
The following table sets forth the station maintenance, operation and use assessments received by MTA on an accrual basis in each of the last ten years:

Year	Payments (in millions)	Year	Payments (in millions)
2003	$125	2008	$148
2004	129	2009	146
2005	134	2010	152
2006	137	2011	153
2007	142	2012	160

The 2013 projected Commuter System Station Maintenance payments are $159.5 million, on a cash basis, as reported in the MTA 2013 Adopted Budget.

The following bar chart shows the level of Commuter System station maintenance payments made since 2003.

Commuter System Station Maintenance Payments
(in $ millions)

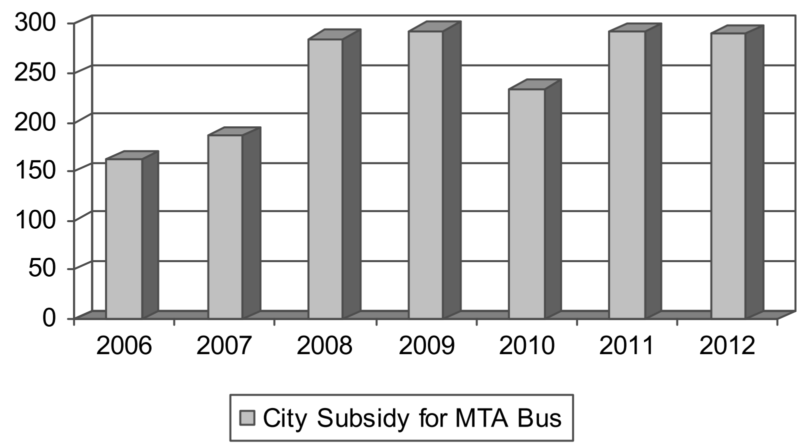


Transit System Service Reimbursements from the City. Policing of the Transit System is being carried out by the New York City Police Department at the City's expense. MTA New York City Transit is responsible for certain capital costs and support services related to such police activities, a small portion of which is reimbursed by the City.

MTA Bus Reimbursements from the City. The City has agreed to reimburse MTA Bus the difference between the actual cost of operation of the City Bus Routes (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the City Bus Routes. The annual amounts payable by the City to MTA Bus are subject to review by the City. The amount and timing of payments received from the City could be affected by the financial condition of the City. The City reimbursed MTA Bus $162 million in 2006, $187 million in 2007, $285 million in 2008, $293 million in 2009, $234 million in 2010, $292 million in 2011 and $290 million in 2012. As opposed to other revenues and subsidies discussed herein, the MTA Bus reimbursements from the City for the period 2006-2012 are reported on a cash basis rather than on an accrual basis. See "OPERATIONS – MTA BUS COMPANY."

The following bar chart shows the level of City reimbursement payments to MTA Bus since 2006, its first year of operations of all seven private bus companies.

City Reimbursement Payments to MTA Bus
(in $ millions)



Paratransit. Under an agreement with MTA, the City contributes an operating subsidy to support paratransit equal to the lesser of (i) 33% of the operating deficit, calculated after taking into account paratransit passenger revenue, certain Urban Tax revenues and MTA New York City Transit administrative expenses or (ii) an amount that is 20% greater than the amount required to be paid by the City for the preceding calendar year. Any remaining operating deficit is funded by MTA New York City Transit. See "OPERATIONS – TRANSIT SYSTEM – Description of the Transit System – *Paratransit*."

The following table sets forth the amount of the paratransit system cost that New York City funded on an accrual basis in each of the last ten years, pursuant to the Paratransit Agreement between New York City and MTA dated May 28, 1993.

Year	New York City Contribution (in millions)	Year	New York City Contribution (in millions)
2003	$20.6	2008	$ 51.2
2004	24.7	2009	61.5
2005	29.7	2010	73.8
2006	35.6	2011	88.5
2007	42.7	2012	106.2

Miscellaneous Revenues

Transit System. MTA New York City Transit and MaBSTOA receive revenues from concessions granted to vendors, revenues from advertising and other space rented in transit vehicles and facilities, and fines collected by the Transit Adjudication Bureau.

The following table sets forth the miscellaneous revenues received by MTA New York City Transit and MaBSTOA on an accrual basis in each of the last ten years:

Year	Miscellaneous Revenues (in millions)	Year	Miscellaneous Revenues (in millions)
2003	$77.9	2008	$104.1
2004	85.5	2009	112.1
2005	89.9	2010	106.3
2006	92.0	2011	107.8
2007	95.4	2012	108.4

Commuter System. MTA Long Island Rail Road and MTA Metro-North Railroad receive revenues from concessions granted to vendors, advertising and other space rented in Commuter System vehicles and facilities, the sale of power, the sale of food and beverages and other sundry revenue.

The following table sets forth the miscellaneous revenues received by MTA Long Island Rail Road and MTA Metro-North Railroad (excluding concessions at Pennsylvania Station and Grand Central Terminal that are not pledged to the Transportation Revenue Bonds described under "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – TRANSPORTATION REVENUE BONDS") on an accrual basis in each of the last ten years:

Year	Miscellaneous Revenues (in millions)	Year	Miscellaneous Revenues (in millions)
2003	$32.3	2008	$ 55.0
2004	35.8	2009	76.0
2005	36.9	2010	79.2
2006	54.1	2011	81.3
2007	46.0	2012	105.0

Mortgage Recording Taxes

The mortgage recording taxes (MRT-1 and MRT-2) are described below. During the last ten years, the receipts of these taxes have ranged from a low of approximately $236 million in 2010 to a high of approximately $761 million in 2006, with 2010, 2011 and 2012 collections amounting to $236 million, $249 million, and $271 million, respectively.

General. Certain moneys paid to MTA by the City and counties in the MTA Commuter Transportation District pursuant to certain mortgage recording taxes may be used for the operating and capital costs, including debt service and reserve requirements, of or for MTA, MTA New York City Transit and their subsidiaries. Such taxes do not secure any outstanding MTA or MTA Bridges and Tunnels bonds. Neither MTA nor MTA Bridges and Tunnels currently expects to secure future bonds with mortgage recording taxes.

MRT-1 Receipts. Pursuant to Section 253(2)(a) of the New York Tax Law (the "Tax Law"), a tax is imposed (the "MRT-1 Tax") on recorded mortgages of real property situated within the State, subject to certain exclusions (such net MRT-1 Tax collections remitted to MTA are referred to as the "MRT-1 Receipts"). The tax was increased effective June 1, 2005 from 25 cents per $100 of mortgage recorded to 30 cents per $100. The MRT-1 Tax is paid by the property owner taking out the mortgage loan.

MRT-1 Receipts must be applied by MTA,

- first, to meet MTA Headquarters Expenses (as hereinafter defined), and

- second, to make deposits into the Transit Account (55% of the remaining amount) and the Commuter Railroad Account (45% of the remaining amount) of the Special Assistance Fund.

Moneys in the Transit Account are required to be used to pay operating and capital costs of the MTA New York City Transit, its subsidiaries, and MTA Staten Island Railway, and moneys in the Commuter Railroad Account, after first making the transfers described below under "Transfers to State Suburban Transportation Fund," are required to be used to pay operating and capital costs of the commuter railroad operations of MTA, other than MTA Staten Island Railway.

MRT-2 Receipts. Pursuant to Section 253(1-a) of the Tax Law, an additional tax is imposed (the "MRT-2 Tax") on recorded mortgages of real property situated within the State, subject to certain exclusions. The MRT-2 Tax is paid by the institution (or other persons) making the mortgage loan to the property owner(s). The Tax Law requires that the portion of the MRT-2 Tax collected on certain residential dwelling units be remitted to MTA for deposit into the Corporate Transportation Account of the Special Assistance Fund (such net MRT-2 Tax collections remitted to MTA are referred to as the "MRT-2 Receipts").

Moneys deposited into the Corporate Transportation Account are applied as follows:

- first, to make deposits into the Dutchess, Orange and Rockland Payment Subaccount described below under "Transfers to Counties," and

- second, to make deposits into the Corporate Purposes Subaccount to be used to pay operating and capital costs, including debt service and debt service reserve requirements, if any, of, or incurred for the benefit of, MTA, MTA New York City Transit and their respective subsidiaries.

MRT-1 and MRT-2 Receipts. Under existing law, no further action on the part of the Legislature is necessary for MTA to continue to receive such moneys (i.e., the State is not required to appropriate the moneys to MTA, so the moneys continue to be paid to MTA whether or not the State budget has been adopted). However, the State is not obligated to impose, or to impose at current levels, the MRT-1 Tax or the MRT-2 Tax or to direct the proceeds to MTA as presently provided.

MRT-1 Receipts and MRT-2 Receipts (collectively, "MRT Receipts") are subject to significant volatility from year-to-year. This volatility reflects the discretionary nature of the transactions that lead to the collection of the tax. Such transactions are influenced by economic, social and demographic factors.

The following charts show the historical annual MRT Receipts, on an accrual basis, available for operations and capital costs for the last ten years.

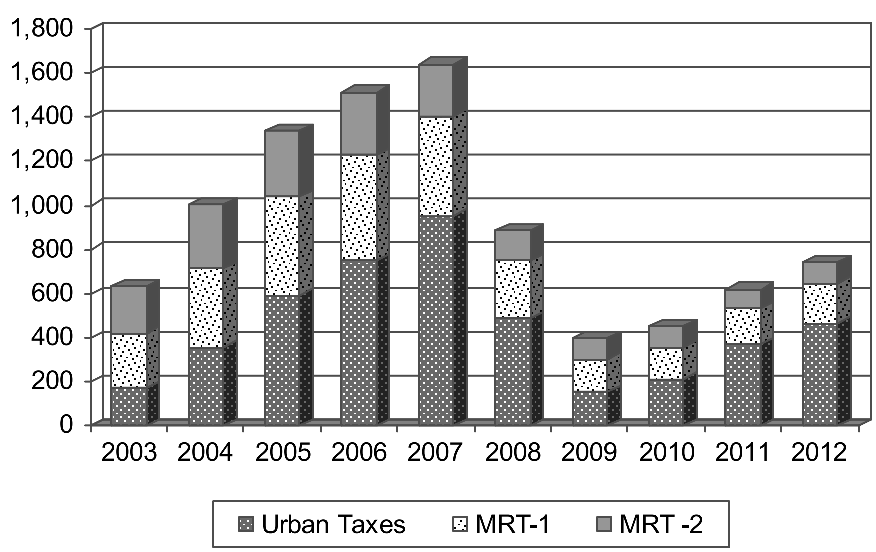
Year	MRT-1 Receipts (in millions)	Increase/ (Decrease)	Year	MRT-1 Receipts (in millions)	Increase/ (Decrease)
2003	$248.7	22%	2008	$259.9	(42)%
2004	353.4	42	2009	151.1	(42)
2005*	443.5	26	2010	145.2	(4)
2006	478.7	8	2011	162.7	11
2007	450.4	(6)	2012	179.8	20

*Reflects the increase in MRT-1 effective June 1, 2005.

Year	MRT-2 Receipts (in millions)	Increase/ (Decrease)	Year	MRT-2 Receipts (in millions)	Increase/ (Decrease)
2003	$209.8	21%	2008	$135.6	(43)%
2004	291.4	39	2009	93.5	(31)
2005	299.0	3	2010	90.9	(3)
2006	282.0	(6)	2011	86.6	(8)
2007	236.5	(16)	2012	91.2	11

The following bar chart shows the level of mortgage recording taxes (both MRT-1 and MRT-2) and Urban Taxes for the Transit System since 2003.

Real Estate Based Taxes
(in $ millions)



Deductions for Headquarters Expenses. The general, administrative and operating expenses of MTA, net of reimbursements, recoveries and adjustments ("MTA Headquarters Expenses"), to the extent not paid from other sources, are required to be paid from MRT-1 Receipts prior to making any deposits to the Transit Account or the Commuter Railroad Account. MTA Headquarters Expenses do not include capital expenditures for headquarters operations. Among other uses, MTA pays the following annual amounts as MTA Headquarters Expenses:

- expenses of operating MTA Headquarters, including MTA Police,

- an amount paid to MTA Bridges and Tunnels to fund a toll rebate program for residents of Broad Channel and the Rockaway Peninsula when using E-ZPass on the Cross Bay Veterans Memorial Bridge, and

- the operating expenses of MTA Staten Island Railway not covered by fares, State and local subsidies and other amounts.

The amount of MTA Headquarters Expenses in any year is neither contractually nor statutorily limited. The amount of MTA Headquarters Expenses in future years may be affected by inflation, expansion or contraction of activities the expenses for which are not reimbursable, non-recurring expense items and other circumstances including changes in MTA's reimbursement practices with respect to the other Related Entities. The amount of MRT-1 Receipts received by MTA each month that is required to be applied to MTA Headquarters Expenses may vary widely based on MTA's cash flow requirements and the timing of reimbursements from the other Related Entities.

Transfers to State Suburban Transportation Fund from MRT-1 Receipts. State law requires MTA in each year to transfer up to $20 million of MRT-1 Receipts (in equal quarterly installments of $5 million) deposited in the Commuter Railroad Account to the State Suburban Transportation Fund to pay for or finance certain types of highway capital projects in certain areas of the MTA Commuter Transportation District. In the event the transfer would result in an operating deficit, the amount of the deficit is appropriated to MTA for commuter railroad operating purposes. Due to such a deficit, no transfers were made in 2002, 2009, 2010, 2011 and 2012; however, such transfers were made between 2003 and 2008.

Transfers to Counties from MRT-2 Receipts. MTA is required to transfer, in equal quarterly installments, in each year from the MRT-2 Corporate Transportation Account to the Metropolitan Transportation Authority Dutchess, Orange and Rockland Fund an annual amount of $1.5 million for each of the counties of Dutchess and Orange, and $2.0 million for the county of Rockland. Additionally, MTA must transfer from that Account to such fund for each of these three counties, respectively, an amount equal to the product of (i) the percentage by which such county's mortgage recording tax payment to MTA in the preceding calendar year (calculated as if the increase in the MRT-1 Tax from 25 cents per $100 to 30 cents per $100 did not occur) increased over such payment in calendar year 1989 and (ii) $1.5 million each for Dutchess and Orange Counties and $2.0 million for Rockland County.

The following chart shows the amounts transferred to the counties for the last eight years:

Year	County	Additional Amounts
2005	Dutchess	$ 7,382,857
	Orange	7,026,762
	Rockland	8,702,721
		$23,112,340
2006	Dutchess	$ 6,020,597
	Orange	6,665,895
	Rockland	7,450,369
		$20,135,861
2007	Dutchess	$ 5,069,316
	Orange	5,445,482
	Rockland	6,169,009
		$16,683,807
2008	Dutchess	$ 3,255,589
	Orange	3,355,774
	Rockland	4,069,697
		$10,680,960
2009	Dutchess	$ 2,384,787
	Orange	2,494,445
	Rockland	2,982,495
		$ 7,861,727
2010	Dutchess	$ 2,204,006
	Orange	2,109,416
	Rockland	2,819,378
		$ 7,132,800
2011	Dutchess	$ 1,943,858
	Orange	1,685,606
	Rockland	2,684,835
		$ 6,314,299
2012	Dutchess	$ 2,198,169
	Orange	2,000,394
	Rockland	2,703,568
		$ 6,902,131

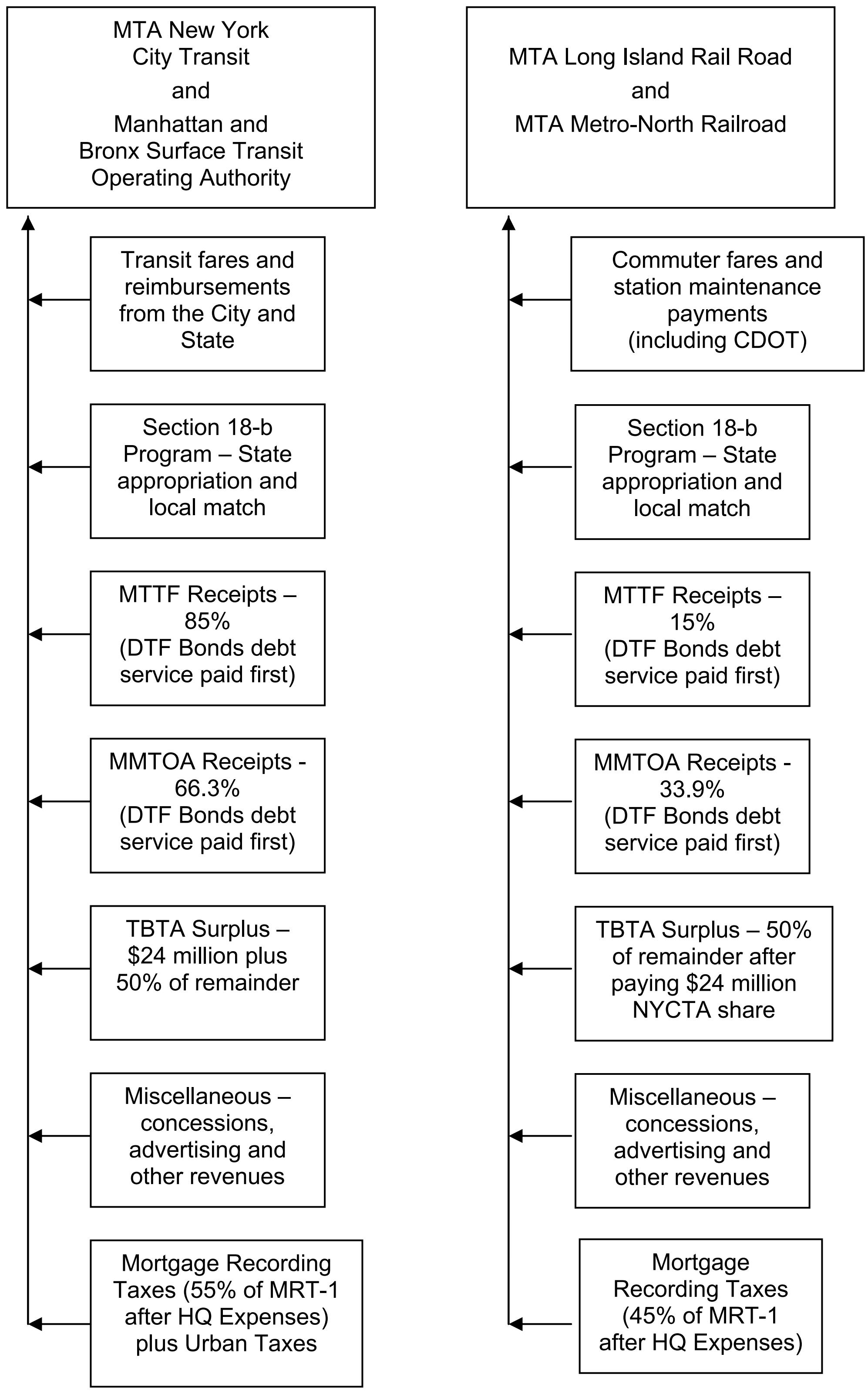
The decline in mortgage recording tax payments (specifically MRT-1 and MRT-2) between 2005 and 2011 reflects a general decline in residential mortgage activity, and, conversely, the increase from 2011 to 2012 is due to a very slight increase in residential mortgage activity.

Operating Funding for the Transit and Commuter Systems

The chart on the following page shows the types of revenues and relative percentages of revenue streams that are currently available and required to be used to fund the Transit System (MTA New York City Transit and MaBSTOA) and the Commuter System (MTA Long Island Rail Road and MTA Metro-North Railroad). From time to time, MTA may, in its discretion, additionally subsidize the Transit and Commuter System operations, or the operations of the other Related Entities, from other available excess moneys, including mortgage recording taxes. All of the revenues listed on the following chart are revenues that are pledged for the payment of Transportation

Revenue Bonds (as described in "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – TRANSPORTATION REVENUE BONDS"), with the exception of (1) mortgage recording taxes that do not become pledged revenues until after the payment of MTA Headquarters Expenses, and (2) concession revenues at Penn Station and Grand Central Terminal. This chart does not include revenues from the mobility tax and taxes and fees deposited in the MTA Aid Trust Account which may be applied to fund operating and capital needs of the Transit System and Commuter System in amounts and relative percentages determined by MTA; to the extent such amounts are available to be applied to operating needs of the Transit System and the Commuter System, they constitute revenues that are pledged for the payment of Transportation Revenue Bonds.

The percentages of MMTOA Receipts reflected below for the Transit and Commuter Systems are based upon the 2013-2014 State Enacted Budget.


MTA New York City Transit and Manhattan and Bronx Surface Transit Operating Authority
Transit fares and reimbursements from the City and State
Section 18-b Program – State appropriation and local match
MTTF Receipts – 85% (DTF Bonds debt service paid first)
MMTOA Receipts - 66.3% (DTF Bonds debt service paid first)
TBTA Surplus – $24 million plus 50% of remainder
Miscellaneous – concessions, advertising and other revenues
Mortgage Recording Taxes (55% of MRT-1 after HQ Expenses) plus Urban Taxes
MTA Long Island Rail Road and MTA Metro-North Railroad
Commuter fares and station maintenance payments (including CDOT)
Section 18-b Program – State appropriation and local match
MTTF Receipts – 15% (DTF Bonds debt service paid first)
MMTOA Receipts - 33.9% (DTF Bonds debt service paid first)
TBTA Surplus – 50% of remainder after paying $24 million NYCTA share
Miscellaneous – concessions, advertising and other revenues
Mortgage Recording Taxes (45% of MRT-1 after HQ Expenses)

FINANCIAL PLANS AND CAPITAL PROGRAMS

2013-2016 Financial Plan (The February Plan)

General. The final 2013-2016 Financial Plan was released by MTA in February 2013 (the "February Plan"). It includes a final adopted budget for 2013 (the "2013 Budget") and a financial plan for the years 2014-2016. The February Plan is the culmination of MTA's effort to finalize the 2013 Budget and 2014-2016 Financial Plan from the draft that was first proposed in July 2012.

The February Plan is designed to maintain the fiscal stability of the Related Entities and enable all those entities to maintain their respective operations on a self-sustaining basis. The February Plan is also designed to continue a program of capital expenditures that would support the ongoing maintenance of MTA's transportation network and provide needed improvements to enhance services to its customers, as well as expand service through a number of initiatives described below under "2011-2015 Capital Programs."

A copy of the February Plan, which includes the 2013 Budget, is posted, for informational purposes only, on MTA's website under "Financial Information." The February Plan is not included by specific cross-reference herein.

It should be noted that the year-end results appearing in MTA's audited financial statements are prepared on a GAAP basis, while the financial plan is prepared on a modified accrual basis. The modified accrual format allows the financial plan to show the MTA's cash availability, which is the measurement for achieving statutory operating budget balance. Differences occurring between the audited financial statements and the financial plan are caused by the use of these different reporting formats. The most notable difference is the treatment of debt service and depreciation. GAAP financial statements reflect accrued interest costs and non-cash items, such as depreciation, while the financial plan reflects cash transactions, including actual principal and interest payments (i.e., deposits into debt service funds and payments to bondholders) paid out of operating funds. Moreover, cash transactions are reflected in the GAAP balance sheet, while the financial plan reflects completed cash transactions and does not include accounts receivables or payables.

The February Plan, on an MTA consolidated basis, after including approved actions and technical adjustments, projects an ending net closing cash balance of $48 million in 2013, and deficits of $77 million, $21 million and $227 million in 2014, 2015 and 2016, respectively.

Subsequent Developments

The following items were not reflected in the February Plan:

2012 Actual Cash Results and Cash Balance Projections. MTA's 2012 closing net cash balance was $229 million, which includes the use of the $297 million carryover from 2011. This result was $178 million more favorable than the final estimate that was included in the February Plan, with most of the difference coming from lower agency spending. While the overall impact is expected to improve cash results for the 2013-2014 period, there are some important caveats:

- Some $48 million of that favorable change was from timing-related Tropical Storm Sandy losses that will adversely impact 2013.

- In some cases, agency efforts on Tropical Storm Sandy recovery in 2012 precluded other work that will be ultimately need to be performed.

- The February Plan assumed that the $75 million loan from the OPEB account that was needed to offset some of the projected 2012 operating impacts of Tropical Storm Sandy would not be paid back until 2015, when the final receipt recovery from insurance or the Federal government was projected. A portion of 2012 savings can be used to pay back the loan in 2013.

Preliminary 2013 Results. Preliminary early-year results have been somewhat favorable, mostly from higher real estate transaction taxes.

Passenger revenues through February were $11.4 million (1.4%) unfavorable due to harsh winter weather and the residual impacts of Sandy. Toll revenues, however, were favorable by $3.6 million (1.7%) due to higher traffic attributable to higher City employment, and lower than forecasted impacts on traffic of the toll increase. February year-to-date operating expenses before non-cash liability adjustments were $36 million, or 2.1%, favorable, although most of that variance was the result of lower timing-related activity in OTPS expense categories. Lower year-to-date debt service costs ($43 million) reflect refunding savings, lower interest rates and timing.

Combined real estate tax receipts through April were strong ($86 million favorable against the 2013 Adopted Budget). Most of this increase was the result of higher collections from the Real Property Transfer Tax (RPTT) portion of the Urban Tax. Combined receipts of the payroll mobility tax, MTA Aid, and PBT taxes were $39 million unfavorable year-to-date, some of which may be timing-related.

NYS Enacted Budget Update. The New York State Enacted Budget has appropriated in aggregate, and on a calendar year basis, $40 million more than what is included in the MTA 2013 Budget. However, for some of those subsidies, specifically the payroll mobility tax and the MTA Aid which accounts for approximately $15 million of the increase, there is no guarantee that those monies will actually be generated since the State will pay only funds collected up to the amount of the appropriation.

Tropical Storm Sandy. Preliminary estimates (slightly revised from the assumptions in the February Plan) put MTA (including MTA Bridges and Tunnels) losses, excluding costs relating to any future plans for implementing resiliency measures against future storms (hardening) at various facilities, at approximately $5 billion, including: an estimated $4.8 billion in damages to MTA's infrastructure and an estimated $288 million operating loss (lost fare and toll revenue along with expenses necessary to prepare for and re-establish service after Tropical Storm Sandy). The estimated $288 million operating loss reflects a $20 million increase from the February Plan. MTA Bridges and Tunnels operating losses estimated at $59 million are included in the MTA estimates and infrastructure losses to MTA Bridges and Tunnels, estimated at $778 million, are similarly included in the $4.8 billion estimate.

Reinsurers of the MTA property insurance program have already committed to an initial advance payment of $100 million on the insurance recovery, over $95.9 million of which has been received by MTA to date. MTA is preparing claims in furtherance of obtaining additional recoveries of Sandy-related damages and losses under the property insurance policy.

In addition, the Sandy Relief Act, passed in late January 2013, appropriated a total of $10.9 billion in FTA Emergency Relief funding for affected public transportation facilities for infrastructure repairs, debris removal, emergency protection measures, costs to restore service and hardening measures. MTA is eligible to submit requests for Emergency Relief funding to the FTA; however, except as noted below, no specific portion of the $10.9 billion in funds appropriated to the FTA Emergency Relief program is currently allocated to MTA.

Of the $10.9 billion amount, under the Sandy Relief Act, an initial tranche of $2 billion was to be allocated by the FTA by the end of March 2013. On March 6, 2013, the Secretary of Transportation announced that $193.9 million had been allocated to MTA in response to a request MTA submitted for $196.3 million, representing reimbursements for costs associated with preparing MTA's system for the storm and for restoring service post-storm (including costs associated with operating service for free immediately after the storm). On March 29, 2013, the FTA published its allocations for the remainder of the $2 billion. MTA was allocated an additional $1.0 billion, bringing MTA's total allocation from the FTA to $1.194 billion from the first $2 billion tranche of FTA Emergency Relief funds. FTA approval of specific grants will need to be obtained prior to MTA's actual receipt or expenditure of any of these allocated funds.

The remaining $8.9 billion in FTA Emergency Relief funds appropriated under the Sandy Relief Act is anticipated to be made available after the allocation of the $2 billion noted above. Of this amount, the Act provides

$5.383 billion "to carry out projects related to reducing risk of damage from future disasters in areas impacted by Hurricane Sandy." This latter amount has been reduced by $545 million as a result of the Federal Sequestration (as defined herein). Allocation of these funds is anticipated to adhere more closely to certain of the customary procedures for award of FTA grant moneys, such as submission of grants for approval, grant execution, requisition of moneys subsequent to expenditure and reimbursement within 24 to 48 hours. MTA expects to file requests to the FTA for funding of both repair/restoration costs and hardening costs from these remaining FTA Emergency Relief funds. No specific portion of these $8.9 billion in remaining funds appropriated to the FTA Emergency Relief program (less Federal Sequestration reductions) is currently allocated to MTA.

The amendment to the MTA 2010-2014 Capital Program covering Sandy-related repair and restoration costs has already been deemed approved by the Capital Program Review Board; that amendment anticipates Sandy-related federal funding as the predominant funding source for such repair and restoration projects. MTA is currently considering additional projects relating to the hardening of its facilities against future storm or other catastrophe damage and expects to submit an additional amendment to the Capital Program Review Board addressing the costs of such projects in the near future. It is anticipated that Sandy-related federal funding would need to be the predominant source of funding for such hardening projects.

MTA Bridges and Tunnels is seeking recovery from FEMA for Sandy-related repair and restoration costs. MTA thus far has received payment from FEMA, for $3.2 million, to cover a portion of MTA Bridges and Tunnels expenses for emergency protective measures.

Other Significant Elements of the Financial Plan 2013-2016

Service investments/service support. The February Plan retains the $29.5 million in annual MTA service investments that were announced in July 2012, restoring, extending and adding service on bus, subway and commuter rail lines to better serve customers. These investments will connect customers across the MTA's service area, enhance access to mass transit, accommodate ridership growth and attract new transit and commuter riders. In addition, agencies will continue to make necessary service adjustments to meet frequency and loading guidelines.

The service investments come at a time when ridership on the MTA network is steadily increasing. Subway ridership has reached levels not seen since the 1940s, while commuter train ridership is approaching all-time records. Ridership growth is especially pronounced outside of the traditional rush hours, prompting increased investment in night, weekend and off-peak weekday service. Implementation of the service investments has already begun and will continue over the next year.

In addition to the $29.5 million service investment package announced in July 2012, the February Plan includes additional service by MTA Bus to address schedule gaps and overcrowding. MTA Bus is also adding a new route in Queens to enhance service to LaGuardia Airport.

Addressing new needs. While maintaining its focus on cost reduction, MTA continues to improve the reliability and performance of its fleet and infrastructure through increased maintenance and better business practices. In the July Plan (the July Plan) there was a strong emphasis on addressing customer priorities by enhancing service reliability, investing in the station environment, and making more and better travel information readily available. While this emphasis continues, the February Plan also increases resources to address additional maintenance needs. MTA New York City Transit is establishing a scheduled maintenance program to extend the useful life of its 120-car non-revenue work car fleet, adding more refuse trains and crews for station platform trash removal, and improving security with increased inspection of ancillary rooms in stations and tunnels. MTA Bus is revising its bus overhaul programs to ensure sufficient fleet as a consequence of the delay in the procurement of new buses.

Additional support for Capital Program. The February Plan continues to provide "Pay-As-You-Go" funds included in the approved 2010-2014 Capital Program. Beginning in 2015, the February Plan includes an additional $250 million annually as a "down payment" in support of the 2015-2019 capital program. The availability of resources for this support is largely attributable to debt service savings derived from the 2012 refunding program as well as re-estimates of assumed interest rates and cash flow requirements on approved, but unissued, bonds.

Three years of "net-zero" wage growth. The February Plan baseline continues to capture three years of "net-zero" wage growth for represented employees. To achieve net-zero, wage increases may be granted if offset by savings from work rules or other non-wage concessions. Non-represented employees have already experienced four years of real zero wage growth.

In 2012, the State's largest unions agreed to contracts that include three years of zero wage increases as well as contributions towards health care benefits; similarly, the February Plan assumes that the "three net-zero" contracts will be achieved through collective bargaining with MTA's unions.

Driving down costs through expense reductions and efficiencies. The February Plan continues the strategy developed in 2010 to reduce costs and increase efficiencies by raising the "to be identified" annual savings target by $25 million in 2013, $50 million in 2014, and $75 million in 2015 and beyond. Together with previously identified cost reductions, this results in annual, recurring savings of over $800 million in 2013, growing to $1.2 billion by 2016.

MTA continues to control discretionary expense growth. In fact, after adjustments for service expansion, wage growth (after the expected three years of "net zero"), and additional maintenance programs, projected 2013 spending is essentially flat compared with 2012 (up 0.6%), and is actually lower than 2011 in absolute dollars. However, non-discretionary expenses (i.e., pensions, health & welfare, energy, paratransit and debt service), continue to grow at significantly greater rates.

Continue moderate biennial fare/toll increases. The February Plan continues to project moderate biennial fare/toll increases to help offset continuing growth in non-discretionary expenses: pensions, health care, energy, paratransit and debt service. The 2013 fare/toll increases, which were implemented at the beginning of March 2013, are projected to produce annualized revenue of $450 million, while the 2015 increases are projected to net $500 million annualized. Over the February Plan period, fare and toll increases equate to only 38% of the increase in these non-discretionary expenses, with the remainder coming largely from dedicated tax and subsidy growth, and continuing cost efficiencies.

MTA expects to use its improved finances to push back the start date for the 2015 fare/toll increases to the beginning of March, delaying the impact of these increases on customers.

Increasing General Reserve and OPEB deposits. Consistent with prior plans, the February Plan includes a General Reserve that approximates 1% of MTA's annual operating budget. In 2012, the General Reserve helped to provide the liquidity needed for the short-term funding of losses occasioned by Tropical Storm Sandy.

The February Plan continues to make annual payments to address the increasing OPEB liability, with $250 million transferred from the OPEB account held by MTA into the OPEB Trust. From the remaining balance of $254 million in the account, MTA borrowed $75 million to offset Tropical Storm Sandy impacts until reimbursement is received and the internal loan is repaid, at which time it is anticipated that such monies will be transferred into the OPEB Trust.

Risks to the February Plan

The February Plan continues to reflect the commitment to continually improve MTA's financial and operating performance and respond to customer concerns and needs. However, there are risks inherent in the February Plan. The February Plan continues to assume that labor settlements will include three years of net-zero wage growth. It assumes additional efficiency savings will be identified and that those efforts will be sustainable. The February Plan assumes that State budget actions will reflect full remittance to MTA of all funds collected on its behalf. The February Plan is also based upon the preliminary estimates of Tropical Storm Sandy recovery costs and assumptions as to the timing of required expenditures and the receipts of moneys from the federal government and MTA's insurers. Additionally, while there have been indications of regional economic recovery, the long-term economic effects of Tropical Storm Sandy are unknown and the national recovery remains tepid. Should the recovery falter and adversely affect the regional economy, MTA has limited financial reserves to offset lower-than-expected operating revenues, taxes and subsidies. Of more immediate concern on a national level are ongoing negotiations between the Executive Branch and Congress regarding strategies to reduce the federal budget deficit, including the federal sequestration which went into effect on March 1, 2013 (the Federal Sequestration), and the impact that any agreement ultimately reached may have on ongoing support for the MTA Capital Program and the scope of post-Tropical Storm Sandy disaster relief.

The Federal Sequestration will not affect amounts expected to be received by MTA as Federal Formula and Bus Grants as those FTA grant programs are exempt from the sequestration. The FTA's Capital Investment Grant program, which includes the FFGA-New Starts program, could receive a 5% cut. MTA believes that the 2013 Federal fiscal year allocations for Second Avenue Subway and East Side Access have been reduced by $16.8 million and $11.8 million, respectively. These reductions in federal funds will not affect the progress of work for these projects. The $5.383 billion referenced above for Sandy-related hardening measures (as part of the $10.9 billion portion of funds from the Federal Transit Administration's Emergency Relief program) has been reduced by $545 million. However, the impact to the MTA related to this reduction is yet to be determined. Finally, the Federal Sequestration could also reduce amounts expected to be received by MTA as subsidy payments relating to the interest on MTA's outstanding federally taxable Build America Bonds by 8.7%, which on an annualized aggregate basis could result in a reduction of $8.4 million in the subsidy of approximately $96 million that the MTA had been expecting to receive annually. Such Federal Sequestration reduction rate is expected to be applied to subsidy payments for the 2013 Federal fiscal year.

There are also vulnerabilities beyond the February Plan period including rising employee and retiree healthcare costs, the risk of lower investment returns on pensions, and the possibility of higher interest rates, which would have a significant impact on debt service payments to support the MTA capital program.

Climate Change Adaptation

Climate change may pose long-term threats to regional transportation systems, including those operated by the MTA agencies and to facilities operated by MTA Bridges and Tunnels. Potential hazards and risks related to climate change for the MTA and MTA Bridges and Tunnels include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Tropical Storm Sandy and Hurricane Irene, have demonstrated vulnerabilities of mass transportation systems to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the federal government, the State of New York, municipalities, MTA and MTA Bridges and Tunnels will be needed to adapt existing infrastructure to the risks posed by climate change. MTA and MTA Bridges and Tunnels have identified and intend to proceed with a number of mitigation investments that are designed to better protect their respective transportation assets and bridges and tunnels from climate-change related hazards, for which projects MTA and MTA Bridges and Tunnels are seeking federal assistance.

Capital Programs – Background and Development

Transit and Commuter Systems. The MTA Act requires MTA to submit to the Review Board, for its approval, successive five-year capital programs, one for the Transit System and MTA Staten Island Railway and another for the Commuter System. The Review Board approved capital programs for the Transit System and MTA Staten Island Railway and the Commuter System for the five-year periods beginning in the years 1982, 1987, 1992, 1995, and 2000. The last two years of the 1992-1996 MTA Capital Program were incorporated into the 1995-1999 MTA Capital Program. Substantially all of the projects included in the 1982-2004 MTA Capital Programs have been completed.

MTA and the Review Board have also approved separate five-year MTA Capital Programs covering the periods 2005-2009 and 2010-2014. These Capital Programs, which are ongoing, are described in detail below.

Funding for the MTA Capital Programs comes from a variety of sources, including bonds, State, City and MTA Bridges and Tunnels assistance, and Federal funds. The Federal government supplied approximately 33% of the funds required for the 1982-2009 Capital Programs.

MTA Bridges and Tunnels Facilities. Beginning in 1989, MTA Bridges and Tunnels undertook its first multi-year capital program totaling $0.160 billion for the 3-year period 1989-1991. The funds for such program were raised from revenues deposited in its own capital reserve fund and the proceeds of MTA Bridges and Tunnels bonds.

Since then, while not required to do so by statute, MTA Bridges and Tunnels has developed its own five-year capital programs covering the same periods as the MTA Capital Programs to enable MTA Bridges and Tunnels to keep its own facilities in good operating condition while also maintaining its role in MTA's unified transportation policy. The MTA Bridges and Tunnels Capital Programs are not subject to approval by the Review Board and bonds issued to finance MTA Bridges and Tunnels Facilities are not subject to the statutory ceiling.

Although substantial annual investments in major maintenance and bridge painting have regularly been made and additional expenditures are planned, MTA Bridges and Tunnels expects that capital investments in the rehabilitation or reconstruction of its facilities will continue to be necessary as components approach the end of their current useful life and require normal replacement.

2010-2014 Capital Program

The MTA Board, at its meeting on September 23, 2009, reviewed and authorized for submission to the Review Board a five-year Proposed MTA Capital Program (the "Proposed 2010-2014 Capital Program") for the Transit and Commuter Systems for the 2010-2014 period, totaling approximately $25.6 billion. The Proposed 2010-2014 Capital Program was submitted to the Review Board for its review in October 2009, as required by law. The Proposed 2010-2014 MTA Capital Program was vetoed without prejudice by the Review Board on December 30, 2009, allowing the Legislature to review funding issues in their 2010 session.

At its April 28, 2010 meeting, the MTA Board reviewed and authorized a resubmission of the five-year Proposed 2010-2014 Capital Program for the Transit and Commuter Systems (the "Revised Proposed 2010-2014 Capital Program") totaling approximately $23.8 billion, which was $1.8 billion less than the Proposed 2010-2014 Capital Program submitted to the Review Board in October 2009. The Revised Proposed 2010-2014 Capital Program was subsequently submitted to the Review Board for its approval and was deemed approved by the Review Board on June 1, 2010 (the "Approved 2010-2014 Capital Program"). Included in the Approved 2010-2014 Capital Program was approximately $18.1 billion for core investments for the ongoing replacement needs of the existing Transit and Commuter Systems, including MTA Bus. Also included in the Approved 2010-2014 Capital Program was $5.7 billion to finance a portion of the costs of the East Side Access and the Second Avenue Subway projects. The Approved 2010-2014 Capital Program included $13.9 billion of identified funding — including $6.0 billion of new bonding authorized by the May 2009 State legislation providing for the Payroll Mobility Tax and other additional revenues — leaving a $9.9 billion funding gap. The new bonding, in combination with other identified revenues, provided for two years of program funding.

On December 21, 2011, the MTA Board approved an amendment to the Approved 2010-2014 Capital Program addressing funding for the last three years of the program of projects through a combination of efficiency improvements and real estate initiatives, participation by funding partners and innovative and pragmatic financing arrangements. As part of a commitment to continually review the program to identify savings, this amendment provided for a reduction of the program's costs by another $2 billion by applying a variety of further initiatives to be rolled out over the last three years of the program, with the expectation that such savings would be achieved without eliminating any of the benefits of the projects in the five-year program approved in June 2010. The efficiencies include eliminating 15% of capital program administrative staff, improving productivity of work along the right-of-way, maximizing component replacement over full-asset renewal or replacement and reviewing every project as it moves into implementation through the Gates Review Process, an MTA process designed to ensure that projects are designed for the least cost to deliver the intended benefit. The revised program for the Transit and Commuter Systems provides for $22.195 billion in capital expenditures: $11.649 billion for the core projects for the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway; $3.860 billion for the core projects for the Commuter System operated by MTA Long Island Rail Road and MTA Metro-North Railroad; $5.739 billion for the expansion of existing rail networks for both the Transit and Commuter Systems to be managed by MTA Capital Construction; $0.335 billion for the security program including MTA Police Department; $0.315 billion for MTA Interagency Program, and $0.297 billion for MTA Bus initiatives. On March 27, 2012 the amended 2010-2014 Capital Program (the "amended 2010-2014 Capital Program") as submitted was deemed approved by the Review Board.

On December 19, 2012, the MTA Board approved an additional amendment to the 2010-2014 Capital Program to add projects for the repair and restoration of MTA agency assets damaged as a result of Tropical Storm Sandy, which struck the region on October 29, 2012. The revised program provides for additional Tropical Storm Sandy recovery-related capital expenditures: $3.449 billion for the transit system operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway; $0.455 billion for the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad, and $0.048 billion for MTA Capital Construction. On January 23, 2013, this further amended 2010-2014 MTA Capital Program (the "2010-2014 Capital Program") as submitted was deemed approved by the Review Board.

On September 23, 2009, the Board of MTA Bridges and Tunnels approved a Capital Program for the 2010-2014 period that provided for commitments of approximately $2.508 billion designed to keep its facilities in good operating condition. At its April 28, 2010 meeting, MTA Board reviewed and authorized a revised five-year Capital Program for 2010-2014 for MTA Bridges and Tunnels totaling $2.452 billion. This revised 2010-2014 Bridges and Tunnels Capital Program represented a substantial increase over the $1.2 billion in the prior 2005-2009 MTA Bridges and Tunnels Capital Program. On December 21, 2011, the MTA Board reviewed and authorized an amended 2010-2014 Capital Program for MTA Bridges and Tunnels totaling $2.079 billion. This revised 2010-2014 Capital Program for MTA Bridges and Tunnels represented a $0.374 billion decrease to the previously approved plan in line with the Authority-wide initiative described above. On December 19, 2012, the MTA Board approved an amendment to the 2010-2014 Capital Program for MTA Bridges and Tunnels adding $0.778 billion for the repair and restoration of assets damaged as a result of Tropical Storm Sandy.

A future 2010-2014 Capital Program amendment is anticipated this year to address advancement of substantial mitigation initiatives to improve the resiliency of the MTA system. As noted, MTA is currently considering additional projects relating to the hardening of its facilities against future storm or other catastrophe damage and expects to submit an additional amendment to the Capital Program Review Board addressing the costs of such projects in the near future. It is anticipated that Sandy-related federal funding would need to be the predominant source of funding for such hardening projects.

General. The 2010-2014 Capital Program, in the amount of $29.029 billion, consists of the following components:

- Transit Core Program,
- Commuter Core Program,
- MTA Bus Program,
- MTA Capital Construction Program (the Network Expansion Program),
- MTA-Wide Security/Disaster Recovery Program,
- MTA Interagency Program, and
- Bridges and Tunnels Program.

There can be no assurance that all the necessary governmental actions to implement the 2010-2014 Capital Program will be taken, that funding sources currently proposed or assumed will be available in the amounts or at the times projected, or that the projects included in the 2010-2014 Capital Program, or parts thereof, will not be delayed or reduced. MTA regularly evaluates the status of all funding sources and projects and may, from time to time, submit amendments to the 2010-2014 Capital Program needed to bring funding sources and expected project costs into balance. If the implementation of the 2010-2014 Capital Program or any modification thereof is significantly delayed, MTA's efforts to bring the entire Transit System and Commuter System to a state of good repair and to prevent deterioration of portions of the Transit System, Commuter System, and Bridges and Tunnels System that have already reached a state of good repair may be impeded with potential negative effects on ridership and fare revenues.

Funding. The combined funding sources for the 2010–2014 Capital Program includes $10.503 billion in MTA Bonds, $2.079 billion in MTA Bridges and Tunnels Bonds, $6.303 billion in Federal funds, $0.167 billion in MTA

Bus Federal and City Match, $0.762 billion from the City, $1.490 billion from other sources (including $0.640 billion pay-as-you-go capital and $0.250 billion from disposition of real estate assets) and $0.770 billion in state assistance. The MTA has also applied to the Federal Railroad Administration for a $2.200 billion Federal Railroad Rehabilitation and Improvement Financing Program loan to finance capital costs (the "RRIF Loan").

The 2010-2014 Capital Program funding strategy for Tropical Storm Sandy repair and restoration assumes the receipt of $3.805 billion in insurance and federal reimbursement proceeds (including interim borrowing by MTA to cover delays in the receipt of such proceeds), supplemented, to the extent necessary, by external borrowing of up to $0.950 billion in additional MTA or MTA Bridges and Tunnels bonds.

	2010-2014 Capital Program Amount (in millions)
Federal Formula	$ 5,783
Federal Security	225
Federal High Speed Rail	295
Federal RRIF Loan	2,200
City	762
MTA Bus Federal and City Match	167
State Assistance	770
MTA Bonds (Not including MTA Bridges & Tunnels)	10,503
Other	1,490
MTA Bridges and Tunnels	2,079
Tropical Storm Sandy Recovery Funds	
• Federal Reimbursement/Insurance Proceeds	3,805
• MTA Bonds (including MTA Bridges and Tunnels)	950
Total*	$29,029

* The total may not add due to rounding.

As of December 31, 2012, $5.281 billion of the $11.649 billion for MTA New York City Transit, MaBSTOA and MTA Staten Island Railway projects included in the 2010-2014 Transit Capital Program have been committed, $1.997 billion have been expended and $0.830 have been completed.

As of December 31, 2012, $1.218 billion of the $3.860 billion for MTA Metro-North Railroad and MTA Long Island Rail Road projects included in the 2010-2014 Commuter Capital Program have been committed, $0.555 billion have been expended and $0.127 billion have been completed.

As of December 31, 2012, $1.571 billion of the $5.739 billion for MTA Capital Construction projects included in the 2010-2014 Capital Program have been committed, $0.522 billion expended and no significant dollar value of projects have been completed.

As of December 31, 2012, $0.084 billion of the $0.297 billion for MTA Bus projects included in the 2010-2014 Capital Program have been committed, $0.060 billion expended and $0.040 billion have been completed.

As of December 31, 2012, $0.975 billion of the $2.079 billion for MTA Bridges and Tunnels projects included in the 2010-2014 MTA Bridges and Tunnels Capital Program have been committed, $0.233 billion have been expended and $0.018 billion have been completed.

As of December 31, 2012, $0.030 billion of the $5.090 billion for the MTA-Wide Security/Disaster Recovery Program (including Bridges and Tunnels) included in the 2010-2014 Capital Program have been committed, $0.009 billion have been expended and no significant dollar value of projects have been completed.

As of December 31, 2012, $0.045 billion of the $0.315 billion for the MTA Interagency Program included in the 2010-2014 Capital Program have been committed, $0.032 billion have been expended and no significant dollar value of projects have been completed.

2010-2014 Transit Core Program. Subject to the efficiencies efforts described above, the following table represents the capital program by category of work for the Transit System and MTA Staten Island Railway under the 2010-2014 Transit Core Capital Program.

	2010-2014 Transit Core Program (in millions)
MTA New York City Transit	
Subway Cars	$ 1,039
Buses	1,588
Passenger Stations	2,056
Track	1,262
Line Equipment	373
Line Structures	482
Signals & Communications	2,870
Power	275
Shops & Yards	355
Depots	483
Service Vehicles	112
Miscellaneous	612
MTA Staten Island Railway	142
Total*	$11,649

*The total may not add due to rounding.

Among the projects included in the 2010-2014 Transit Core Program are the following:

For rolling stock, the 2010-2014 Transit Capital Program includes purchase of 300 railcars for the B Division which are expected to replace R32 and R42 cars; and 103 fleet expansion railcars for the A Division to accommodate service growth on the Flushing and Broadway/7th Avenue lines, including growth to provide service on the "7 West" extension of the Flushing line. The bus category includes 1,055 standard buses, 674 articulated buses, and 375 express buses for a total of 2,104 vehicles. Also included is the purchase of 943 new paratransit vans to replace vehicles reaching the end of their service lives. For service vehicles, the 2010-2014 Transit Capital Program replaces 10 locomotives, 54 flatcars, 8 snow removal cars, and 268 non-revenue rubber-tire vehicles.

The 2010-2014 Transit Capital Program funds the rehabilitation of 10 stations, the renewals of 29 stations, provision of ADA (defined below) accessibility at 8 key stations, replacement of approximately 58 miles of mainline track, and replacement of 135 mainline switches and 7 track miles of welded rail. Also included is the replacement of 18 miles of incandescent lighting with brighter, more energy-efficient compact fluorescent lighting in tunnels, two new fan plants, and rehabilitation of six pump rooms.

The 2010-2014 Transit Capital Program's line structures investments include Phase 1 of subway structural repairs on the 4th Avenue line in Brooklyn, repairs on 16 route miles of structures, overcoat painting of 18 miles of elevated structures, rehabilitation of 125 emergency exits throughout the subway system, flooding alleviation at 7 locations in Manhattan, and demolishing abandoned structures.

The power category includes full modernization of one substation in Brooklyn which was part of the original IND System and initial cable work at the Central Substation in midtown Manhattan, repair or replacement of deficient roofs and enclosures at 10 substations and hatchways, rehabilitation of 7 circuit breaker houses, replacement of traction power cables and ducts on the 4th Avenue and Lenox Avenue lines, and replacement of emergency alarm units at selected locations.

For shops, investments include upgrades to the electrical system and heating plant at the 207th Street Overhaul Shop, an upgrade to the DC power system at the 207th Street Maintenance Shop, improvements to the ventilation system at the East New York Maintenance Shop, and rehabilitation of component defects at various railcar shops.

Investments at yards include replacement of yard track and switches, replacement of yard lighting fixtures at 2 locations, and installation of closed circuit television systems at various yards.

The 2010-2014 Transit Capital Program's major improvements for signals feature complete rehabilitation of conventional signals and 2 interlockings on the Dyre Avenue line, modernization of 7 interlockings, continued communication based train control ("CBTC") implementation on the Flushing Line, and system-wide replacement of degraded signal cable and other similar projects.

The communications projects include installation of public address systems and customer information screens at 87 stations, the implementation of new technologies to display real-time train arrival information in B Division stations, the first phase of Help Point installations, replacement of the subway's VHF radio system and portable radio units, upgrades to the network backbone cable infrastructure, and improvements to communication rooms.

The major depot projects include priority repairs at various bus facilities, replacement of the bus radio system, continuation of the Select Bus Service program, component replacements for 18 bus washers, and initial deployment of the bus lane enforcement cameras.

For MTA Staten Island Railway, the 2010-2014 Transit Capital Program includes construction of a new station at Arthur Kill, rehabilitation of 8 bridges and 1 culvert, the first phase of the St. George terminal track and switch modernization, construction of a new substation at Prince's Bay, installation of low-resistance composite contact rail, rehabilitation of the 5 circuit breaker houses and modifications to the MTA Staten Island Railway rail fleet.

2010-2014 Commuter Core Program. This investment program supports the commuter rail agencies' ongoing commitment to maintaining and enhancing mobility, economic health, and quality of life in the region. Also subject to the efficiencies efforts described above, the 2010-2014 Commuter Core Capital Program includes investments in the state of good repair of its most essential components ─ rolling stock, stations, track, communications/signals, power, shops and yards, and bridges/viaducts. In addition, there are select service improvements, including customer benefits like delivery of real-time train information to all MTA Metro-North Railroad stations east of the Hudson River in New York territory.

	2010-2014 Commuter Core Program (in millions)
MTA Long Island Rail Road	
Rolling Stock	$ 396
Passenger Stations	126
Track	780
Line Structures	172
Communications & Signals	448
Shops & Yards	121
Power	118
Miscellaneous	154
Total*	$2,316

* The total may not add due to rounding.

MTA Metro-North Railroad	2010-2014 Commuter Core Program (in millions)
Rolling Stock	$ 257
Passenger Stations	271
Track & Structures	298
Communications & Signals	248
Power	91
Shops & Yards	289
Miscellaneous	89
Total*	$1,544

*The total may not add due to rounding.

Among the projects included in the 2010-2014 Commuter Core Program are the following:

The rolling stock investment for the MTA Long Island Rail Road electric fleet in the 2010-2014 Capital Program includes the replacement of approximately 76 electric cars, and the evaluation of new types of diesel trains to support "scoot-type" service on diesel branches. The MTA Metro-North Railroad investments in this area include completing the purchase of at least 342 cars to modernize the fleet used for New Haven Line service, and replacement of 5 diesel locomotives used for revenue yard operations and recovery of disabled trains and branch line service.

Station investments for the MTA Long Island Rail Road include improvement of Grand Central Terminal elevators and escalators to support East Side Access, replacement of station platforms in Massapequa and Wantagh, replacement of elevators at Woodside and Rockville Centre stations, development of intermodal facilities, and improvement of air conditioning at Penn Station. The MTA Metro-North Railroad investments in this area include improvements to customer communications to provide real-time information at East of Hudson stations, continued component-based renewal work at various stations, and new strategic intermodal facilities. The pilot smart card program is planned at both commuter railroads.

For MTA Long Island Rail Road, the ongoing track improvements in the 2010-2014 Capital Program includes continuation of annual system-wide track investments, replacement of deteriorated track structure on the Atlantic Branch, replacement of track system on the Babylon Branch viaduct, improvement of system-wide right-of-way, implementation of the first phase of Jamaica infrastructure work to improve capacity, design of a second track between Farmingdale and Ronkonkoma, and construction of pocket tracks for train storage capacity at Great Neck and Massapequa. MTA Long Island Rail Road investments in line structures include completion of the Atlantic Avenue Viaduct rehabilitation (including Nostrand Avenue Station) and rehabilitation or replacement of railroad bridges at priority locations. For MTA Metro-North Railroad, the track program includes the continuation of the cyclical track program, replacement of track switches system-wide, replacement/repair of approximately 10 undergrade bridges East of Hudson lines, and continuation of cyclical track program on West of Hudson lines.

MTA Long Island Rail Road's communications and signal investments include implementation of legislatively-mandated Positive Train Control, installation of a signal system from Speonk to Montauk, replacement of signal components based on condition system-wide, continual investments to establish Centralized Train Control, and renewal of the Babylon Interlocking by replacing signal components. MTA Metro-North Railroad's investments in communications and signal include full implementation of legislatively-mandated Positive Train Control, installation of West of Hudson signal improvements on the Port Jervis Line, and replacement of critical components (fiber, cables, track relays, radios).

In the 2010-2014 Commuter Capital Program, MTA Long Island Rail Road's investments in shops and yards include building a new Mid-Suffolk Electric Yard for train storage needs on the Main Line in central Suffolk County and reconfiguration of the Port Washington Yard to expand storage capacity. MTA Metro-North Railroad's investments in shops and yards include initiating the replacement of the Harmon Shop electric repair facility, as well as the repair and rehabilitation of critical components in shops and yards system-wide. MTA Long Island Rail Road's power category includes replacement of traction power substations, construction of one new power substation in Queens to support East Side Access operations, and replacement and upgrade of third rail system components. MTA Metro-North Railroad's power category includes continuation of power improvements and component replacement on the Harlem and Hudson Lines and replacement of critical power infrastructure in Mount Vernon.

For miscellaneous purposes, the 2010-2014 MTA Commuter Capital Program includes various program administrative costs (including program contingency) and environmental remediation.

2010-2014 MTA Bus Program. The primary focus of MTA Bus' 2010-2014 Capital Program is meeting the needs of the bus fleet and depots, the core of its service. Also subject to the efficiencies efforts described above, the 2010-2014 Capital Program includes purchase of 317 new buses consisting of 32 high-capacity express buses, 72 articulated buses and 213 standard buses. MTA Bus will also make investments to improve service delivery for its riders. The agency plans to begin the process of providing real-time customer information for its routes. This improvement, along with the improved reliability and comfort that come with new buses, represent considerable service improvements for MTA Bus customers.

2010-2014 MTA Network Expansion Projects. The 2010-2014 Capital Program includes funding for Phase 1 of the Second Avenue Subway, the East Side Access Project, and regional investments to support the East Side Access Project improvements and to enhance travel quality. See "MTA CAPITAL CONSTRUCTION COMPANY" for a more detailed discussion of the Second Avenue Subway Project and the East Side Access Project. For further information, see below under "— 2005-2009 MTA Capital Programs – *2005-2009 MTA Network Expansion Projects*."

2010-2014 MTA-Wide Security/Disaster Recovery Program. In the wake of the September 11, 2001 attacks, MTA initiated a comprehensive security review of its infrastructure. Security experts defined critical vulnerabilities and better strategies to protect people and infrastructure. Capital investments included hardening assets and implementing the networks and equipment necessary to conduct targeted surveillance, control access, stop intrusion and provide command and control systems to support incident response. MTA began implementing these investments in the 2000-2004 and 2005-2009 Capital Programs. The 2010-2014 Capital Program continues this commitment.

A Disaster Recovery Program has been added to the 2010-2014 Capital Program, consisting of projects totaling $4.755 billion which address losses incurred due to Tropical Storm Sandy and provide for the repair and restoration of damaged MTA agency assets. These projects span all MTA Agencies and include restoration of the subway Rockaway Line and South Ferry Station and restoration of the Hugh L. Carey Tunnel and Queens Midtown Tunnel. Other projects restore damaged infrastructure at a variety of locations, including communications and signals systems, power systems, line structures, and depots.

2010-2014 Interagency Program. The MTA Interagency section of the 2010-2014 Capital Program includes several categories of investment related to the MTA's Business Service Center (BSC) initiative and other facilities, a small business mentoring program, and planning studies to support MTA's Capital Program.

2010-2014 MTA Bridges and Tunnels Capital Program. This investment program provides for $2.079 billion in capital commitments, which is expected to be financed with MTA Bridges and Tunnels bonds.

Category of Project	2010-2014 Capital Program (in millions)
Structures	$ 295
Roadways & Decks	1,315
Toll Plazas & Traffic Mgmt.	94
Utilities	178
Buildings & Sites	10
Miscellaneous	32
Structural Painting	154
Total*	$2,079

*Total may not add due to rounding.

Among the major projects included are the following:

- Hugh L. Carey Tunnel (formerly the Brooklyn Battery Tunnel) – Rehabilitation of tunnel walls, ceiling and roadway drainage system, as well as replacement of electrical equipment,
- Bronx Whitestone Bridge – Replacement of the Queens Approach,
- Henry Hudson Bridge – Replacement of the upper and lower level toll plaza deck and the lower level approach structure, Phase I construction, replace the upper level curb stringers supporting the roadway and sidewalk,
- Queens Midtown Tunnel – Upgrade ventilation building electrical system,
- Robert F. Kennedy Bridge – Replacement of the deck at the Bronx ramps and toll plaza, rehabilitation of components of Manhattan approach ramps, and Manhattan toll plaza decks repair; and
- Verrazano-Narrows Bridge – Replacement of upper level suspended span decks, new Bus/HOV lane and ramp connecting to the Gowanus Expressway, and toll plaza improvements.

2005-2009 Capital Program

The 2005-2009 Capital Program consists of state-of-good-repair, normal replacement, modernization, and expansion projects.

Funding. The combined funding sources for the 2005-2009 Capital Program include $9.093 billion in Federal funds (includes $0.654 billion received under the American Recovery and Reinvestment Act ("ARRA")); $1.450 billion in proceeds from New York State general obligation bonds approved by the voters in November 2005; $2.816 billion from the City; $1.106 billion in asset sales, program income and carryover from the 2000-2004 capital; $9.899 billion in bonds; and $0.215 billion from other sources. The following table sets forth the expected sources for funding the 2005-2009 Capital Program.

Funding Source	Program Amount (in millions)
Federal Formula and Flexible	$ 5,191
Federal New Start	2,811
Federal Security	322
Federal – Other	7
Federal ARRA – Stimulus	654
City	405
City No. 7 Subway Line Funds	2,367
MTA Bus Federal and City Match	152
Asset Sales/Program Income/Carryover	1,106
LaGuardia Airport Funded Board Approved Projects	70
LaGuardia Airport Funded New Initiatives	135
New York State Bond Act Proceeds	1,450
MTA Bonds (including MTA Bridges and Tunnels)	4,055
MTA Bonds – New Source*	5,639
Other (including Operating to Capital)	215
Total**	$24,579

* New Source revenues included the increase, in 2005, of the (1) District Sales Tax from one-quarter of 1% to three-eighths of 1%, (2) MRT-1 from 25 cents for each $100 of mortgage recorded to 30 cents, and (3) amount of Department of Motor Vehicle fees included in MTTF distribution.

** As of December 31, 2012. The total may not add due to rounding.

As of December 31, 2012, $11.348 billion of the $11.612 billion for MTA New York City Transit, MaBSTOA and MTA Staten Island Railway projects included in the 2005-2009 Transit Capital Program have been committed, $10.111 billion have been expended and $8.491 billion of projects have been completed.

As of December 31, 2012, $3.420 billion of the $3.785 billion for MTA Metro-North Railroad and MTA Long Island Rail Road projects included in the 2005-2009 Commuter Capital Program have been committed, $3.248 billion have been expended and $2.233 billion of projects have been completed.

As of December 31, 2012, $7.214 billion of the $7.672 billion for MTA Capital Construction projects (including security projects) included in the 2005-2009 Capital Program have been committed, $5.321 billion have been expended and $1.662 billion of projects have been completed.

As of December 31, 2012, $0.107 billion of the $0.152 billion for MTA Bus projects included in the 2005-2009 Capital Program have been committed, $0.055 billion have been expended and $0.001 billion of projects have been completed.

As of December 31, 2012, $0.116 billion of the $0.163 billion for MTA Interagency projects included in the 2005-2009 Capital Program have been committed, $0.111 billion have been expended and $0.030 billion of projects have been completed.

As of December 31, 2012, $1.130 billion of the $1.195 billion for MTA Bridges and Tunnels projects included in the 2005-2009 MTA Bridges and Tunnels Capital Program have been committed, $1.047 billion have been expended and $1.012 billion of projects have been completed.

2005-2009 Transit Core Program. The following table represents the capital program by category of work for the Transit System and MTA Staten Island Railway under the 2005-2009 Transit Capital Program (does not include MTA Network Expansion Projects related to the Transit System). In 2009, the Transit 2005-2009 Capital Program received $0.479 billion in ARRA funds, which have been applied to the capital program.

	2005-2009 Transit Core Program (in millions)
MTA New York City Transit	
Subway Cars	$ 2,208
Buses	831
Passenger Stations	1,925
Track	1,235
Line Equipment	567
Line Structures	708
Signals & Communications	1,979
Power	503
Shops	38
Yards	307
Depots	453
Service Vehicles	119
Miscellaneous	683
MTA Staten Island Railway	56
Total*	$11,612

* As of December 31, 2012. The total may not add due to rounding.

Among the projects included in the 2005-2009 Transit Core Program are the following:

For rolling stock, the 2005-2009 Transit Core Program includes normal replacement of 1,002 B Division cars, as well as fleet growth for the A Division with the purchase of 23 cars. A total of 1,242 new buses will be ordered, including 1,043 standard (all using clean fuel technology), 90 articulated and 103 express buses. In addition, 1,391 new paratransit vehicles will be purchased.

The 2005-2009 Transit Core Program funds the rehabilitation of 35 stations, normal replacement of approximately 51 miles of mainline track and 143 mainline switches, as well as installation of 18 track miles of continuous welded rail, which is expected to significantly lower occurrences of rail breaks and cracks.

For signals and communications, the MTA New York City Transit's major improvements feature expansion of new signal technology with the installation of CBTC on the Flushing line, rehabilitation of interlocking on 3 other lines and completion of signal modernization on the White Plains Road line. Communications system improvements feature the continued extension of the existing fiber optic network to all passenger stations.

MTA New York City Transit's line equipment investments include replacing approximately 48 track miles of tunnel lighting, updating the 30th Street fan plant with a plan to replace three existing units and state of good repair work at 17 pump rooms. Various line structure repairs and related work are addressed, including 6 route miles of subway structure, 2 route miles of elevated structure, 14 route miles of painting, and rehabilitation of 135 emergency exits throughout the subway system. The power category includes modernizing 10 substations, and replacing substation equipment at various locations. For shops, work includes new cranes at the 207th Street Overhaul Shop and rehabilitation of a support shop (38th Street Yard Shop). In yards, a major project is Corona Yard Phase 3. In addition, the 2005-2009 Transit Core Program will replace approximately 6 miles of yard and non-revenue track, replace 69 yard switches and address other yard equipment and security needs. Also planned are various safety and security improvements.

For depots, major projects include improvements to the East New York Depot and reconstruction of the Clara Hale Depot. Rehabilitation work also is planned at three other depots. Projects are planned to replace bus lifts, roofs, washers and heavy depot equipment, and secure property for parking needs.

For service vehicles, the 2005-2009 Transit Core Program replaces 212 heavy-duty rubber-tire vehicles, such as heavy-duty trucks and specialty vehicles, and 22 work trains, such as ballast regulators, diesel-electric locomotives and a track geometry/rail inspection car.

In miscellaneous, the 2005-2009 Transit Core Program provides funds to purchase the Tiffany Street Warehouse and to support the Program's technical needs, including insurance, engineering, services, scope-development and the MTA independent engineer. In addition, improvements to employee facilities across the system are funded. Certain management information systems, such as PBX node sites and servers, will be addressed. Also, MTA New York City Transit will address various environmental and safety needs, such as asbestos monitoring and removal, installation of fire alarms at various facilities and environmental remediation.

For MTA Staten Island Railway, the 2005-2009 Transit Core Program includes repair of 6 bridges/thru-spans and installation of fare collection equipment at the Tompkinsville station.

2005-2009 Commuter Core Program. The following table represents the Capital Program by agency and by category of work for the Commuter System under the 2005-2009 Commuter Core Program (does not include MTA Network Expansion Projects related to the Commuter System). In 2009, the Commuter 2005-2009 Capital Program received \$0.175 billion in ARRA funds, \$0.103 billion for MTA Long Island Rail Road and \$0.072 billion for MTA Metro-North Railroad, which were or are to be applied to the Capital Program.

	2005-2009 Commuter Core Program (in millions)
MTA Long Island Rail Road	
Rolling Stock	$ 405
Passenger Stations	136
Track	576
Line Structures	361
Communications & Signals	272
Shops & Yards	175
Power	150
Miscellaneous	216
Total*	$2,291
MTA Metro-North Railroad	
Rolling Stock	$ 264
Passenger Stations	343
Track & Structures	252
Communications & Signals	81
Shops & Yards	361
Power	83
Miscellaneous	110
Total*	$1,494

* As of December 31, 2012. The total may not add due to rounding.

Among the projects included in the approved 2005-2009 Commuter Core Program are the following:

The rolling stock investment for the MTA Long Island Rail Road electric fleet includes the purchase of 158 new M-7 electric cars, continuing the normal life cycle replacement of M-1 electric multiple units nearing the end of their useful lives. The M-7 electric fleet is also being outfitted with door threshold plates to enhance gap safety for customers entering and exiting the train, and a horn modification to lessen community impacts while maintaining compliance with FRA requirements. The MTA Metro-North Railroad investments in this area continue the modernization of the fleet with the continuation of the M-2 overhaul. Also included are the purchase of 100 M-8 electric cars to begin the replacement of the worst-performing cars of New Haven Line's M-2 fleet (with CDOT), purchase of 36 M-7 electric cars to complete the replacement and expansion of the M-1 fleet, and purchase and overhaul of 4 locomotives from New Jersey Transit pursuant to the renegotiated agreement to accommodate the growing West of Hudson service needs.

Station investments include platform rehabilitations, replacement of stairs, escalators, elevators and overpasses at locations system-wide and the construction of new, and rehabilitation of existing, parking spaces. MTA Metro-North Railroad will continue the structural rehabilitation of Grand Central Terminal including the replacement of current employee facilities, as well as infrastructure and station improvements on the Harlem Line in the Bronx. Also included is MTA Long Island Rail Road's purchase and installation of up to 87 ticket vending machines for stations throughout the system to expand the number of vending machines already in service, as well as elevator replacement/upgrades in Atlantic Terminal and the repair/upgrade of ramps at Forest Hills. Two new elevators, platform lighting, and station railing at the Flushing-Main Street and Queens Village will make both stations wheelchair accessible. The Customer Service Office within Penn Station is also being relocated to facilitate the expansion and renovation of the ladies restroom.

The ongoing track program consists of the normal replacement of track components and installation of concrete ties in selected segments of the right-of-way. For MTA Long Island Rail Road, also included is design and construction of a near-term package of capacity enhancements to tracks, interlockings, station platforms, and structures at key locations on the Main Line from Queens Village to Hicksville in preparation for East Side Access service levels. For MTA Metro-North Railroad, the Program includes interlocking/switch replacement throughout the entire MTA Metro-North Railroad territory in New York State. Investments in line structures consist of the rehabilitation of bridges and viaducts. For MTA Long Island Rail Road, the 2005-2009 Commuter Core Program includes the Atlantic Avenue viaduct, a bridge painting program, and fire and life safety improvements in the East River Tunnels' ventilation systems, bench walls, tunnel lining and floodgates. For MTA Metro-North Railroad, the 2005-2009 Commuter Core Program includes work on welfare, storage and other facilities and West of Hudson track improvements.

MTA Long Island Rail Road's communications investments include the continued expansion of the fiber optic network and the redesign of the Communications Network Operations Center. MTA Long Island Rail Road's VHF radio system will be modernized and audio/visual paging systems will be deployed at 80 additional stations, providing improved customer communications at stations. MTA Long Island Rail Road will also continue its normal replacement of deteriorated communications poles system-wide. The signal projects begin the rehabilitation of several of MTA Long Island Rail Road's busiest interlockings, invest in signals as far east as Speonk, begin work on the centralized train control system and continue cyclical normal replacement in an effort to maintain this infrastructure in a state of good repair. MTA Metro-North Railroad's investments in communications and signals replace the aging signal system (wayside and operations control center) with the latest technology and provide for the optimization of train capacity at locations system-wide.

MTA Long Island Rail Road's investments in shops and yards include the replacement of rolling stock support equipment, infrastructure improvements to accommodate maintenance and repair of the new electric and diesel fleets, soil remediation at Long Island City yard, and reconfiguration of Babylon yard to increase lay-up storage capacity. The shops and yards investments for MTA Metro-North Railroad include upgrades to facilities to accommodate additions to the rolling stock fleet and support for the reliability centered maintenance philosophy. Also, additional funds were transferred to fund the ongoing Croton-Harmon Shop Master Plan.

The power category includes the replacement and upgrade of the systems necessary to support the movement of electric trains. Power investments maintain the condition of existing assets and increase traction power capacity system-wide.

For miscellaneous purposes, the plan includes various program administrative costs, including program contingency. Also included for MTA Long Island Rail Road is environmental remediation at 20 electric substations, Yaphank landfill, Long Island City car wash, Richmond Hill, Holban Yard, Morris Park and various other locations system-wide.

2005-2009 MTA Bus Program. As part of the transition of the private bus operations from the City to MTA, the City and MTA agreed to a reallocation of Federal urbanized formula funds that the City had received for the benefit of the private bus companies. This reallocation provided $0.152 billion and is comprised of $0.108 billion in Federal funds and $0.027 billion in City and State matching funds. Pursuant to a supplemental agreement with the City, MTA Bus also received $0.017 billion towards environmental remediation. The funding supports investments to bring bus maintenance facilities up to a state of good repair, thereby ensuring efficient and economical maintenance practices, as well as improving employee safety at the facilities. In addition, the need to replace heavy-duty, non-revenue vehicles will be addressed.

2005-2009 MTA Network Expansion Projects. MTA Capital Construction's 2005-2009 Capital Program includes the start of construction of the following major projects: East Side Access, the Second Avenue Subway and the No. 7 subway line extension

In 2009, the Capital Program Review Board approved the addition of $0.267 billion to East Side Access' approved 2005-2009 budget of $2.405 billion. This was in addition to the $1.255 billion already approved by the Board reflecting the addition of a Federal Full Funding Grant Agreement ("FFGA") for this project. The Board also approved the addition of $0.764 billion to the Second Avenue Subway project's approved budget of $1.150 billion, reflecting the approval of a signed FFGA for such sum for this project. Since 2009, an additional $0.011 billion was allocated to complete the South Ferry Terminal projects. With these additions, the total CPRB-approved budget in the 2005-2009 MTA Capital Program for expansion projects is $4.810 billion. The No. 7 subway line extension project, estimated at $2.367 billion, is to be 100% funded by the City.

2005-2009 Security Program. In the wake of the September 11, 2001 terrorist attacks on the World Trade Center, MTA initiated an intense planning effort to determine how to best protect its customers and key assets from a terrorist incident. In late 2001, experts in this field defined critical vulnerabilities and determined appropriate protective or response strategies. The result of these efforts was the implementation of a multi-faceted plan. This plan included developing immediate near-term operating initiatives to protect vulnerable locations, developing a set of mid-term protective measures that included both operating and smaller-scale capital initiatives to protect vulnerable assets and enhance response capabilities; and finally, identifying longer-term large-scale capital investments to harden vulnerable assets and implement the networks and equipment necessary to conduct targeted surveillance, control access, stop intrusion and provide the command and control systems to support incident response.

The 2005-2009 MTA Capital Program includes an allocation of $0.495 billion to fund priority security initiatives. Funding from the Federal Department of Homeland Security and other Federal sources helps support many of these critical projects.

2005-2009 Interagency Program. The MTA Interagency Program is made up of five initiatives: Mentoring Program for $0.004 billion; Customer Service Projects for $0.026 billion; MTA Police Department capital investments for $0.075 billion; an MTA-wide integrated computer systems initiative for $0.045 billion; and the re-established Planning category for $0.013 billion to continue Board approved investments initiated in the 2000-2004 Capital Program.

2005-2009 MTA Bridges and Tunnels Capital Program. This investment program provides for $1.195 billion in capital commitments, which is expected to be financed with MTA Bridges and Tunnels pay-as-you-go capital and MTA Bridges and Tunnels bonds. The following table represents the current scope of the 2005-2009 MTA Bridges and Tunnels Capital Program.

Category of Project	2005-2009 Capital Program (in millions)
Structures	$ 242
Roadways & Decks	772
Toll Plazas	33
Utilities	28
Buildings & Sites	95
Miscellaneous	25
Total*	$1,195

*Total may not add due to rounding

Among the major projects included are the following:

- Robert F. Kennedy Bridge rehabilitation program – deck replacement at Randall's Island and construction of new ramps,
- Bronx-Whitestone Bridge – replacement of the elevated and on-grade Bronx approach,
- Verrazano-Narrows Bridge –rehabilitation of decks on lower level approaches and Lily Pond Avenue Bridge and structural steel repairs,
- Henry Hudson Bridge – replacement of lower level deck,
- Throgs Neck Bridge – rehabilitation of the suspended span steel and replacement of Queens approach concrete deck,
- Cross-Bay Bridge – deck and superstructure rehabilitation, and
- Marine Parkway-Gil Hodges Memorial Bridge – structural steel repairs.

1992-2004 Transit Capital Program Objectives

Highlights of the investments funded in the 1992-2004 Transit Capital Program include the purchase or remanufacture of 4,622 buses, rehabilitation and upgrade of 87 subway stations and three subway station complexes, including the addition of elevators and escalators at several of these stations to make them accessible for the elderly and disabled; construction of a Rail Control Center; modernization of signal systems on four subway lines and the Williamsburg Bridge; development of communications-based train control; construction of two bus maintenance facilities; and the completion of the 63rd Street connector project designed to significantly relieve overcrowding on the Queens Boulevard line. The 1992-2004 Transit Capital Program also included investments to modernize the MTA New York City Transit's electrical power system, reconstruct the Franklin Avenue shuttle, reconstruct a section of the Lenox Avenue Line, and replace signals on the Staten Island Railway.

The projects included in the 1992-1999 Transit Capital Program have been substantially completed. As of December 31, 2012, $10.412 billion of the $10.456 billion for MTA New York City Transit, MaBSTOA and MTA Staten Island Railway projects included in the 2000-2004 Transit Capital Program have been committed, $10.252 billion have been expended and $10.097 billion of projects have been completed.

1992-2004 Commuter Capital Program Objectives

Highlights of key investments funded under the 1992-2004 Commuter Capital Program for MTA Long Island Rail Road include replacement of MTA Long Island Rail Road's diesel fleet of coaches and locomotives, the purchase of electric cars to replace a portion of its electric fleet, conversion of diesel territory station platforms to high level platforms, extension of platform 11 at Penn Station, start of preliminary engineering for the Network Expansion project East Side Access, and rehabilitation of stations system-wide. MTA Metro-North Railroad's key investments include the purchase of diesel coaches and dual-mode locomotives for replacement of a portion of its electric fleet, extensive infrastructure renovations at Grand Central Terminal, station and platform improvements, installation of concrete ties, construction of a third track on the Mid-Harlem line, and the extension of service from Dover Plains to Wassaic.

The projects included in the 1992-1999 Commuter Capital Program have been substantially completed. As of December 31, 2012, $3.988 billion for Commuter System projects of the $4.036 billion of projects included in the 2000-2004 Commuter Capital Program have been committed, $3.972 billion have been expended and $3.714 billion of projects have been completed.

1992-2004 MTA Bridges and Tunnels Capital Program Objectives

Highlights of key investments funded in the 1992-2004 Bridges and Tunnels Capital Program include rehabilitation of approaches, roadways and decks at the Bronx-Whitestone Bridge, the Robert F. Kennedy Bridge, the Throgs Neck Bridge, the Verrazano-Narrows Bridge and the Marine Parkway-Gil Hodges Memorial Bridge and rehabilitation of roadways and drainage systems at the Henry Hudson Bridge; rehabilitation of the Randall's Island Junction Structure, the Harlem River lift span, anchorages and suspension cables at the Robert F. Kennedy Bridge and walls and ceilings at the Queens Midtown Tunnel; rehabilitation and upgrading of air conditioning at toll booths at all facilities, rehabilitation of fan housing at the Hugh L. Carey Tunnel (formerly the Brooklyn-Battery Tunnel) and rehabilitation of bridge electrical substations and power feeders at the Throgs Neck Bridge; expansion of the service building at the Bronx-Whitestone Bridge, structural rehabilitation and repairs at the ventilation building and overpasses of the Queens Midtown Tunnel; and rehabilitation of toll plazas, including electronic toll collection systems.

The projects included in the 1992-1999 MTA Bridges and Tunnels Capital Program have been substantially completed. As of December 31, 2012, $0.974 billion for MTA Bridges and Tunnels projects of the $0.982 billion of projects included in the 2000-2004 MTA Bridges and Tunnels Capital Program have been committed, $0.948 billion have been expended and $0.894 billion of projects have been completed.

Oversight and Review of Administration of Capital Programs

A committee on capital program oversight (which by charter consists of at least six members, including the Chair of the MTA Board and the Chairs of each of the MTA Board operating committees), monitors various capital program actions and activities, including

- current and future funding availability,
- contract awards,
- program expenditures, and
- timely progress of projects within the programs.

The legislation establishing the committee also requires MTA to submit a five-year strategic operations plan to the Governor and to amend such plan at least annually. Such plan must include, among other things, planned service and performance standards and the projected fare levels for each year covered by the plan and an analysis of the relationship between planned capital elements and the achievement of planned service and performance standards. MTA communicates with the State officials responsible for monitoring the strategic operations plan in order to keep them informed of such matters.

Non-Capital Program Projects

2 Broadway. MTA (on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad), MTA New York City Transit and MTA Bridges and Tunnels each authorized and subsequently entered into lease and related agreements whereby as sublessees they rent, for at least an initial stated term until June 30, 2048, an aggregate of approximately 1.6 million rentable square feet of space at 2 Broadway in lower Manhattan. MTA New York City Transit, MTA Bridges and Tunnels and/or MTA occupy substantially all of 2 Broadway. See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – GENERAL – Non-Capital Program Securities – 2 Broadway Certificates of Participation" for a description of the source of funding certain improvements to 2 Broadway.

West Side Development. MTA owns the land in Manhattan generally bounded by West 30th Street on the south, West 33rd Street on the north, 10th Avenue on the east and 12th Avenue on the west (and including rights to operate under 11th Avenue), on which MTA Long Island Rail Road operates its layup and maintenance yard (the "West Side Yard") for trains not in service pending travel from Penn Station, its Manhattan hub. The Eastern Rail Yard ("ERY") portion of the West Side Yard, located between 10th and 11th Avenues, was rezoned by the City in 2005 and the Western Rail Yard ("WRY") portion of the West Side Yard, located between 11th and 12th Avenues, was rezoned by the City in December, 2009. The new zoning on these sites permits extensive mixed-use development. On September 28, 2006, the MTA Board authorized the execution of, and the MTA thereafter entered into, a memorandum of understanding with the City (the "Rail Yards MOU") with respect to the development of the West Side Yard and the sale of certain transferable development rights ("TDRs") on the ERY created by the 2005 rezoning of the ERY by the City. The Rail Yards MOU provides, among other things, that the Hudson Yards Infrastructure Corporation ("HYIC") will advance to MTA $0.200 billion, which will be repaid to HYIC through the sale of ERY TDRs. Hudson Yards Development Corporation ("HYDC") has the authority to market and negotiate the price and payment terms for all of the ERY TDRs, subject to the terms and conditions set forth in the Rail Yards MOU. Pursuant to the Rail Yards MOU, once the HYIC has realized from the TDRs sales its original $0.200 billion plus interest, all remaining proceeds from the sale of the TDRs will be paid to MTA. MTA retains all on-site development rights on the ERY. MTA has received the $0.200 billion payment from the City.

In July of 2007, pursuant to the Rail Yards MOU, MTA issued two separate Requests for Proposals for the sale of and/or long term leasing of air space and related real property interests for development at the ERY and the WRY, respectively. At its meeting on April 28, 2010, the MTA Board adopted environmental findings with respect to the development of the WRY and authorized the execution of contracts and related transaction documents with The Related Companies, L.P. and its affiliates to implement the proposed ERY and WRY developments, including the disposition of property interests therein. On May 26, 2010, MTA entered into agreements to enter into leases for the WRY and ERY, respectively, with a joint venture of The Related Companies L.P. and its joint venture partner, Oxford Properties Group, Inc., a subsidiary of the Ontario Municipal Employees Retirement System. On April 10, 2013, the closing with respect to the ERY lease occurred, with retroactive effect to December 3, 2012. The joint venture is obligated to close on the lease of the WRY by December 3, 2013. Assuming that the joint venture proceeds with the entire project, it is estimated that the leases and related purchase options relating to the ERY and WRY will provide a net present value of approximately $1.00 billion to support the 2005-2009 and the 2010-2014 MTA Capital Programs.

FUTURE CAPITAL NEEDS

MTA periodically updates its 20-year capital needs assessment which revisits its asset inventory, assesses the conditions of those assets and identifies the long-term investment schedules required to maintain a state of good repair. Long-term investments that improve and expand the system to meet operating goals and strategies are also identified. This long-term plan provides the basis for sizing and configuring the successive five-year capital plans and establishes the rationale for the funding levels that are requested to support the program.

No assurances can be given that MTA will be able to identify sufficient sources to fully pay for current and those future capital needs or that, if identified; those funding sources will be received. Some of the prospective funding sources, such as Federal, City and State funds, are not within the control of MTA and the receipt of such funding is contingent, among other things, upon the ability and willingness of such entities to provide such funding. If MTA does not receive sufficient moneys to fund current and future capital needs, the improvements to the Transit System, MTA Staten Island Railway System, Commuter Systems, MTA Bus Company System, and Bridges and Tunnels System state of good repair achieved through implementation of previous capital programs could erode.

INVESTMENT POLICY

MTA's Treasury Division is responsible for the investment management of the funds of the Related Entities. The investment activity covers all operating and capital funds, including bond proceeds, and the activity is governed by State statutes, bond resolutions and the MTA Board-adopted investment guidelines (the "Investment Guidelines"). The MTA Act currently permits the Related Entities to invest in the following general types of obligations:

- obligations of the State or the United States Government;
- obligations the principal and interest of which are guaranteed by the State or the United States government;
- obligations issued or guaranteed by certain Federal agencies;
- repurchase agreements fully collateralized by the obligations of the foregoing United States Government and Federal agencies;
- certain certificates of deposit of banks or trust companies in the State;
- certain banker's acceptances with a maturity of 90 days or less;
- certain commercial paper;
- certain municipal obligations; and
- certain mutual funds up to $10 million in the aggregate.

Investment obligations and collateral are held by one of MTA's custodians or trustees.

As of December 31, 2012, $888 million non-bond capital funds were invested in approximately 7% certificates of deposit and repurchase agreements, 58% United States Treasury obligations, and 35% agency obligations.

As of December 31, 2012, the operating and working capital of the Related Entities (including Payroll Mobility Tax receipts) amounted to $1.3 billion. Investments included 4% commercial paper and certificates of deposit, 9% repurchase agreements, 22% agency obligations and 65% United States Treasury obligations.

A copy of the current MTA Board Investment Policy is posted, for informational purposes only, on MTA's website under "Investor Information and Disclosures."

See "PART 3. PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS – GENERAL – Swap Agreements Relating to Synthetic Fixed Rate Debt" for a discussion of current guidelines relating to the use of swap contracts.

PART 3. PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS

GENERAL

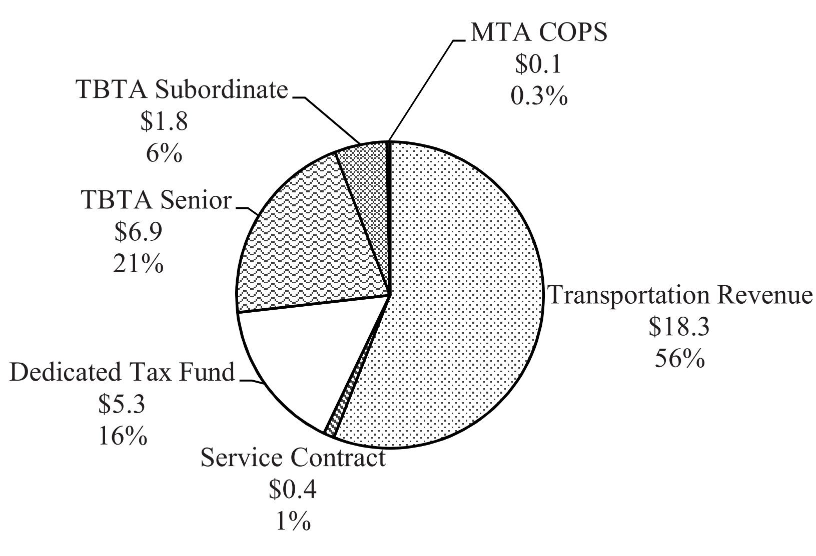
Financing of Capital Projects and Statutory Ceiling

Financing of Capital Projects. Some of the Related Entities are authorized to issue bonds, notes and other obligations for the purpose of undertaking and financing capital projects as well as for other purposes. All bonds and notes are expected to be issued through either MTA or MTA Bridges and Tunnels. Such obligations are secured by and payable from the revenues and other receipts specified in the bond resolution, indenture or other document authorizing the issuance of such obligations. Bonds, notes and other obligations issued to finance capital projects included in the MTA Capital Programs have in the past been and are currently subject to a statutory limitation on the principal amount of such obligations referred to herein as the statutory ceiling. It is anticipated that obligations issued to finance future MTA Capital Programs will also be subject to a statutory ceiling expected to be imposed by the Legislature. Obligations issued by MTA Bridges and Tunnels to fund capital projects relating to its seven bridges and two tunnels, the MTA Bridges and Tunnels Facilities, and obligations issued by the Related Entities for purposes other than financing projects in the MTA Capital Programs are not subject to the current statutory ceiling.

Current Statutory Ceiling. Reflecting the statutory debt ceiling increase passed by the Legislature on April 1, 2012, for the MTA Capital Programs for the years 1992-2014, the MTA Act permits MTA, MTA Bridges and Tunnels and MTA New York City Transit, collectively, to issue on or after January 1, 1993 and before January 1, 2014 an aggregate of $39.544 billion of bonds, notes and other obligations (net of certain statutory exclusions, including refunding bonds); this statutory debt ceiling increases to $41.877 billion thereafter. As of April 30, 2013, MTA, MTA Bridges and Tunnels and MTA New York City Transit have issued approximately $26.964 billion of bonds (not including $900 million of commercial paper) net of such statutory exclusions under the current statutory ceiling. MTA expects that the current statutory ceiling will allow it to fulfill the bonding requirements of all MTA Capital Programs approved by the Review Board to date, including the 2010-2014 MTA Capital Program as amended. Set forth below under "MTA Capital Program Bonds" is a brief summary of the types of obligations issued by the Related Entities to finance or refinance the MTA Capital Programs that are governed by past and current statutory ceilings. Only a portion of the MTA Bridges and Tunnels Senior Revenue Bonds and MTA Bridges and Tunnels Subordinate Revenue Bonds (as each is defined below) were issued to finance or refinance items in such MTA Capital Programs and, consequently, were subject to the statutory ceiling; the remainder were issued to finance capital costs of the MTA Bridges and Tunnels Facilities that are not subject to the statutory ceiling.

The following pie chart shows, by percentages, the amount of all debt MTA and MTA Bridges and Tunnels have outstanding as of April 30, 2013, under the various bond resolutions, all as described below.

All Debt by Resolution



MTA Capital Program Bonds

MTA Transportation Revenue Bonds. Bonds are issued pursuant to the General Resolution Authorizing Transportation Revenue Obligations of MTA, adopted on March 26, 2002 (the "Transportation Resolution"), and are payable solely from and secured by a pledge of the items pledged under such bond resolution, which include amounts derived from: fares received for the use of the subway and bus systems operated by MTA New York City Transit and MaBSTOA, the commuter railroads operated by MTA Long Island Rail Road and MTA Metro-North Railroad and buses operated by MTA Bus; certain concession revenues; and operating subsidies, including expense reimbursement payments, from the State, the City and MTA Bridges and Tunnels surplus. The proceeds from the sale of such bonds are used solely to finance capital projects set forth in the MTA Capital Programs. For more information on the Transportation Revenue Bonds, see "TRANSPORTATION REVENUE BONDS" below.

MTA Dedicated Tax Fund Bonds. Bonds are issued pursuant to the Dedicated Tax Fund Obligation Resolution of MTA, adopted on March 26, 2002 (the "DTF Resolution"), and are payable solely from and secured by the MTTF Receipts and the MMTOA Receipts described under "DEDICATED TAX FUND BONDS – Sources of Payment – Revenues from Dedicated Taxes," subject to appropriation by the Legislature. The proceeds from the sale of such bonds are used solely to finance capital projects of the MTA Capital Programs. For more information on the Dedicated Tax Fund Bonds, see "DEDICATED TAX FUND BONDS" below.

MTA Bridges and Tunnels Senior Revenue Bonds. Bonds are issued pursuant to the General Resolution Authorizing General Revenue Obligations of MTA Bridges and Tunnels, adopted on March 26, 2002 (the "MTA Bridges and Tunnels Senior Resolution"), and are payable from the net revenues collected on the MTA Bridges and Tunnels Facilities described under "TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY – MTA Bridges and Tunnels Facilities." The proceeds from the sale of such bonds are used to finance capital projects relating to the MTA Bridges and Tunnels Facilities and the MTA Capital Programs (i.e., the Transit System, MTA Staten Island Railway and the Commuter System), as described herein under "TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY – Authorized Projects of MTA Bridges and Tunnels." Only that portion of any such bonds issued to finance capital projects of the MTA Capital Programs is subject to the current statutory ceiling. For more information on the MTA Bridges and Tunnels Senior Revenue Bonds, see "MTA BRIDGES AND TUNNELS SENIOR REVENUE BONDS" below.

MTA Bridges and Tunnels Subordinate Revenue Bonds. Bonds are issued pursuant to the 2001 Subordinate Revenue Resolution Authorizing Subordinate Revenue Obligations of MTA Bridges and Tunnels, adopted on March 26, 2002 (the "MTA Bridges and Tunnels Subordinate Resolution"), and are payable from the net revenues collected on the MTA Bridges and Tunnels Facilities after the payment of operating expenses and debt service as required by the MTA Bridges and Tunnels Senior Resolution. The proceeds from the sale of such bonds are used to finance capital projects relating to the MTA Bridges and Tunnels Facilities and the MTA Capital Programs. Only that portion of any such bonds issued to finance capital projects of the MTA Capital Programs is subject to the current statutory debt ceiling. For more information on the MTA Bridges and Tunnels Subordinate Revenue Bonds, see "MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS" below.

MTA Service Contract Bonds. Bonds are issued pursuant to the State Service Contract Obligation Resolution of MTA adopted on March 26, 2002 (the "State Service Contract Resolution"). These bonds are payable solely from and secured by certain payments made by the State, subject to annual appropriations, under the service contract referred to in such bond resolution. The proceeds from the sale of such bonds are used solely to finance capital projects of the MTA Capital Programs. Other than refunding bonds, MTA does not expect to issue additional bonds under the State Service Contract Resolution, unless the State service contract is amended to permit the issuance of additional new money bonds. For more information on the State Service Contract Bonds, see "STATE SERVICE CONTRACT BONDS" below.

Non-Capital Program Securities

The Related Entities have also issued other obligations that are not subject to the current or any prior statutory ceiling and that were issued for projects that are not part of the Capital Programs, as follows:

2 Broadway Certificates of Participation. The Certificates of Participation were executed and delivered pursuant to a Certificate Trust Agreement, dated as of June 1, 1999, as amended and restated as of September 1, 2004, by and among MTA New York City Transit, MTA (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad), and MTA Bridges and Tunnels, as obligors with respect to their base rent proportionate shares (68.7% in the case of MTA New York City Transit, 21.0% in the case of MTA (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad), and 10.3% in the case of MTA Bridges and Tunnels), The Bank of New York Mellon, as Lessor-Trustee, and The Bank of New York Mellon, as Certificate Trustee. The Certificates are payable primarily from the respective base rent proportionate shares to be made by MTA New York City Transit, MTA and MTA Bridges and Tunnels pursuant to a Leasehold Improvement Sublease Agreement, dated as of June 1, 1999, as amended and restated as of September 1, 2004, by and among the same parties to the Certificate Trust Agreement. The obligation of MTA New York City Transit to pay its base rent proportionate share is treated as an operating and maintenance expense, subordinate to the payment of bonds, notes and other obligations currently outstanding and hereafter issued or incurred as described in the Certificate Trust Agreement. The obligation of MTA (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad) to pay its base rent proportionate share is treated as an operating and maintenance expense of the commuter railroads, subordinate to the payment of bonds, notes and other obligations currently outstanding and hereafter issued or incurred as described in the Certificate Trust Agreement. The obligation of MTA Bridges and Tunnels to pay its base rent proportionate share is, by agreement, subordinate to MTA Bridges and Tunnels' payment of other operating and maintenance expenses of MTA Bridges and Tunnels, as well as bonds, notes and other obligations currently outstanding and hereafter issued or incurred as described in the Certificate Trust Agreement.

The proceeds from the sale of the Certificates of Participation were used to finance certain building and leasehold improvements to an office building occupied by MTA New York City Transit, MTA or its subsidiaries (MTA Long Island Rail Road and MTA Metro-North Railroad), and/or MTA Bridges and Tunnels at 2 Broadway in lower Manhattan. The office building is not a project within the Capital Programs. There are $100,825,000 aggregate principal amount of Certificates of Participation outstanding.

Revenue Anticipation Notes. MTA and MTA New York City Transit have in the past and may, from time to time, in the future issue revenue anticipation notes for their working capital needs and the needs of their respective affiliates and subsidiaries occasioned by delays in the receipt of subsidies or other irregularities in the timing of receipt of revenues. In July 2009, MTA issued $600 million of revenue anticipation notes to finance, on a short-term basis, a portion of transit and commuter railroads operating and maintenance expenses addressing a timing mismatch between revenues and operating expenses due to the delays in the receipt of Payroll Mobility Taxes and MMTOA subsidy transfers from the State. These notes were fully defeased as planned on December 31, 2009. In March 2010, MTA issued $475 million of similarly structured revenue anticipation notes, also to finance, on a short-term basis, a portion of MTA operating and maintenance expenses addressing a timing mismatch between revenues and operating expenses. These notes matured and were paid on December 31, 2010. No revenue anticipation notes were issued in 2011 and 2012.

Interagency Loans

The Related Entities are authorized to transfer their revenues, subsidies and other moneys or securities to another Related Entity for use by that other Related Entity, provided at the time of the transfer it is reasonably anticipated that the moneys and securities so transferred will be reimbursed, repaid or otherwise provided for by the end of the next succeeding calendar year.

Leasing

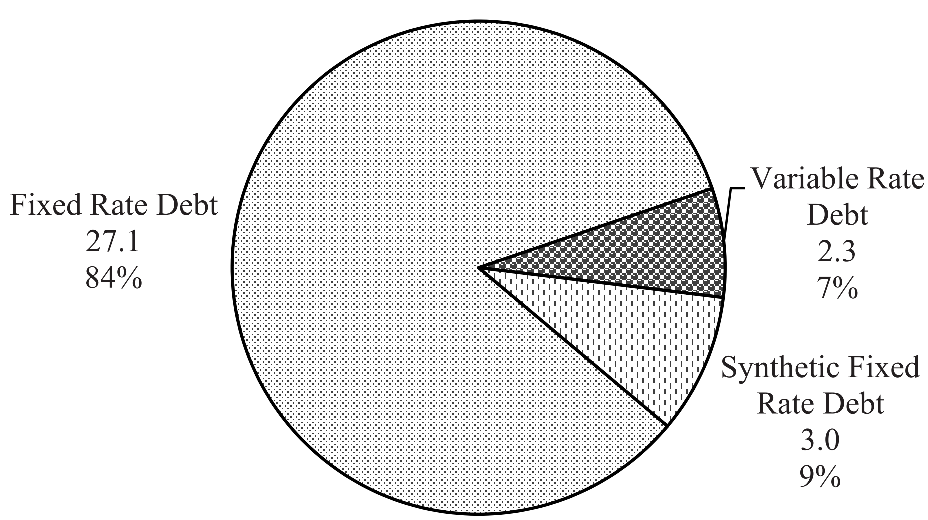
The Related Entities lease real property, facilities, equipment and other personal property in the normal course of business. In addition, the Related Entities have entered into financing leases and other financial transactions, including sale-leaseback and lease-leaseback arrangements, pursuant to which existing assets are sold or leased to other parties and leased or subleased back by the Related Entities. The basic rent payment obligation of the Related Entities under such leases and subleases, together with a purchase option, is economically defeased by a pledge of financial obligations and/or securities of other entities, including, in certain cases, United States government obligations. The expected economic result of such transactions is the receipt by the Related Entities of a net up-front payment, while pursuant to the agreement, the relevant operating agency retains full use of the facility or equipment. If a defeasance obligor were to default on its financial obligations under its respective defeasance instrument, it is possible that the applicable Related Entity would be required to pay the related rent obligations or purchase option amounts from other sources. In addition, the event of loss, default, indemnification, and guaranty provisions of these transactions could create substantial undefeased financial obligations of the Related Entities in the unlikely event that they were triggered; if those financial obligations were, in turn, not timely met, the relevant operating agency could lose use of the leased facilities or equipment. For all of the lease transactions entered into after 1996, MTA has covenanted that all rent and supplemental rent obligations under such lease transactions which are not paid by defeasance obligors shall be paid from those "Revenues" (as defined in Section 102 of the Transportation Resolution) available for release from the lien of the Transportation Resolution in accordance with Section 504(d) of the Transportation Resolution, immediately following all transfers pursuant to Section 504(a), (b) and (c) of the Transportation Resolution, on a *pari passu* basis among all such lease transactions and prior to the transfer or use of any such amounts for any other purpose, including the payment of operating and maintenance expenses. The payment obligations of the Related Entities under such leases and subleases is generally subordinate to the payment of debt service on the bonds of the agency obligated to make the payments, but to the extent the undefeased financial obligations were obligations (including guaranties) of MTA Bridges and Tunnels, a reduction in the amount of operating surplus transferred from MTA Bridges and Tunnels could result.

For more information with respect to certain of these leasing and other financial transactions, reference is made to the footnotes in the financial statements of the Related Entities which contain a summary of certain capital lease obligations. See, in particular, Footnote 9 to the Combined Financial Statements of MTA for the years ended December 31, 2012 and 2011, Footnote 5 to the Consolidated Financial Statements of MTA New York City Transit for the years ended December 31, 2012 and 2011, and Footnotes 17 and 20 to the Financial Statements of MTA Bridges and Tunnels for the years ended December 31, 2012 and 2011.

Types of Debt Outstanding

The following pie chart shows, by percentages, the types of debt MTA and MTA Bridges and Tunnels have outstanding under the resolutions relating to the MTA Transportation Revenue Bonds, MTA Dedicated Tax Fund Bonds, MTA Bridges and Tunnels Senior Revenue Bonds and MTA Bridges and Tunnels Subordinate Revenue Bonds, and the 2 Broadway Certificates of Participation Trust Agreement as of April 30, 2013.

MTA Debt by Type



Swap Agreements Relating to Synthetic Fixed Rate Debt

Board-adopted Guidelines. The Related Entities adopted guidelines governing the use of swap contracts on March 26, 2002. The guidelines were amended and approved by the Board on March 13, 2013. The guidelines establish limits on the amount of interest rate derivatives that may be outstanding and specific requirements that must be satisfied for a Related Entity to enter into a swap contract, such as suggested swap terms and objectives, retention of a qualified independent representative as swap advisor, credit ratings of the counterparties, collateralization requirements and reporting requirements.

Objectives of Synthetic Fixed Rate Debt. To achieve cash flow savings through a synthetic fixed rate, MTA, MTA Bridges and Tunnels and MTA New York City Transit have entered into separate pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what MTA, MTA Bridges and Tunnels and MTA New York City Transit would have paid to issue fixed-rate debt and in some cases where Federal tax law prohibits an advance refunding to synthetically refund debt on a forward basis.

Fair Value. Relevant market interest rates on the valuation date (March 31, 2013) of the swaps are reflected in the following charts. As of the valuation date, all of the swaps had negative fair values. A negative fair value means that MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would have to pay the counterparty that approximate amount to terminate the swap. In the event there is a positive fair value, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be entitled to receive a payment from the counterparty to terminate the swap; consequently, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should a swap with a positive fair value be terminated.

The fair values listed in the following tables represent the theoretical cost to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bond due on the date of each future net settlement on the swap. See "*Termination Risk*" below.

Terms and Fair Values. The terms, fair values and counterparties of the outstanding swaps of MTA and MTA Bridges and Tunnels, as well as the swaps entered into in connection with the 2 Broadway Certificates of Participation refunding, are reflected in the following tables. The MTA swaps are reflected in separate tables for the Transportation Revenue Bonds and Dedicated Tax Fund Bonds. The MTA Bridges and Tunnels swaps are reflected in separate tables for the senior lien and subordinate revenue bonds.

MTA TRANSPORTATION REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 3/31/13 (Unaudited) (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 3/31/13 (Unaudited) (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2002D-2	$ 200.000	01/01/07	4.450 %	69% of one-month LIBOR[(1)]	$ (80.205)	11/01/32	JPMorgan Chase Bank, NA
Series 2002G-1[(2)]	194.100	09/22/04	3.092	Lesser of actual bond rate or 67% of one-month LIBOR minus 45 basis points.	(39.680)	01/01/30	UBS AG
Series 2005D-1,2 and Series 2005E-1,2,3	300.000	11/02/05	3.561	67% of one-month LIBOR[(1)]	(71.865)	11/01/35	UBS AG
Series 2005E-1,2,3	100.000	11/02/05	3.561	67% of one-month LIBOR[(1)]	(23.956)	11/01/35	AIG Financial Products Corp.
Series 2011B[(2)(13)]	22.370	09/22/04	3.092	Lesser of actual bond rate or 67% of one-month LIBOR minus 45 basis points.	(4.573)	01/01/30	UBS AG
Series 2012G-1,2,3,4[(3)]	359.450	11/15/12	3.563	67% of one-month LIBOR[(1)]	(97.881)	11/01/32	JPMorgan Chase Bank, NA
Total	$1,175.920				$(318.160)		

MTA DEDICATED TAX FUND BONDS							
Associated Bond Issue	**Notional Amounts as of 03/31/13 (Unaudited) (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 03/31/13 (Unaudited) (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2002B-1, 2002B-3a-d and Series 2008B-3a-c[7]	$440.000	09/05/02	4.060 %	SIFMA[4]	$ (8.667)	09/01/13	Morgan Stanley Capital Services Inc.
Series 2008A[5]	336.755	03/24/05	3.316	67% of one-month LIBOR[1]	(68.053)	11/01/31	Bank of New York Mellon[6]
Total	$776.755				$(76.719)		

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 3/31/13 (Unaudited) (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 3/31/13 (Unaudited) (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2001B[8]	$0	01/01/02	5.777%	Actual bond rate	Terminated 9/13/2012	01/01/19	Citigroup Financial Products Inc.
Series 2001C[8]	0	01/01/02	5.777	SIFMA[4] minus 15 Basis points	Terminated 9/13/2012	01/01/19	Citigroup Financial Products Inc.
Series 2002F[9]	0	01/01/00	5.404	SIFMA[4]	Matured	01/01/13	Ambac Financial Services, L.P.
Series 2002F[10]	194.800	07/07/05	3.076	67% of one-month LIBOR[1]	(36.310)	01/01/32	Citibank, N.A.
Series 2003B-1,2,3and 2005A-2,3[10]	0	07/07/05	3.076	67% of one-month LIBOR[1]	0	01/01/32	Citibank, N.A.
Series 2003B[11]	0	01/01/01	6.070	SIFMA[4] minus 15 basis points	Terminated 9/26/2012	01/01/19	Citigroup Financial Products Inc.
Series 2005A-1[2] [13]	24.855	09/22/04	3.092	Lesser of actual bond rate or 67% of one-month LIBOR minus 45 basis points	(6.636)	01/01/30	UBS AG
Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e[10]	584.400	07/07/05	3.076	67% of one-month LIBOR[1]	(108.929)	01/01/32	33% each –, JPMorgan Chase Bank, NA, BNP Paribas North America, Inc. and UBS AG
Total	$804.055				$(151.874)		

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 03/31/2013 (Unaudited) (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 03/31/2013 (Unaudited) (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2000AB(12)	$113.300	01/01/01	6.080 %	Actual bond rate	$ (21.216)	01/01/19	JPMorgan Chase Bank, NA
Series 2000CD(11)	0	01/01/01	6.070	SIFMA(4) minus 15 basis points	Terminated 9/26/2012	01/01/19	Citigroup Financial Products Inc.
Total	$113.300				$ (21.216)		

(1) London Interbank Offered Rate.
(2) On November 28, 2011, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2002G-1 and Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1.
(3) On November 15, 2012, the Series 2012 swap became effective and the Related Bonds associated with the swap were issued on November 13, 2012. Under the terms of the swap, JPMorgan Chase Bank, NA had an option to terminate the swap prior to the Effective Date. As of June 15, 2012, such option expired unexercised. There are no remaining options associated with the swap.
(4) Securities Industry and Financial Markets Association Municipal Swap Index.
(5) On June 25, 2008, the Confirmation dated as of March 8, 2005 between the Counterparty and MTA was amended to define Related Bonds as MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A. On June 26, 2008, MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A associated with the swap prior to the amendment described above, were refunded.
(6) On October 27, 2011 the outstanding swap associated with DTF 2008A bonds was novated from counterparty Citigroup Financial Products, Inc. to The Bank of New York Mellon. All other terms of the swap remain unchanged.
(7) On March 26, 2012, $427.85 million of Dedicated Tax Fund Variable Rate Bonds, Series 2002B were remarketed. A portion of the swap associated with the aforementioned bonds has been reassigned to MTA Dedicated Tax Fund Variable rate Refunding Bonds, Series 2008B-3.
(8) On September 13, 2012, MTA Bridges and Tunnels executed its right to terminate two swap transactions with Citigroup Financial Products Inc. ("CFP"). Such right was granted pursuant to the Additional Termination Event provisions of its ISDA Master Agreement amended and restated as of October 1, 2008 with CFP that were triggered as a result of the downgrading by Moody's of the long-term, unsecured, unenhanced senior debt rating of Citigroup Inc., as the Credit Support Provider for CFP to Baa2 on June 21, 2012. The swap terminations relate to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2001B and 2001C with notional amounts of $88.5 and $88.6 respectively. MTA Bridges and Tunnels paid CFP a discounted valuation amount of $19.4.
(9) In accordance with a swaption entered into on February 24, 1999, the Counterparty paid to MTA Bridges and Tunnels a premium of $8,400,000.
(10) On February 19, 2009, MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B-1 were refunded. Notional amounts from the Series 2005B-1 swap were reassigned to MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F, MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B-1,2,3 and from November 1, 2027 through November 1, 2030, to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-2,3.
(11) On September 26, 2012, MTA Bridges and Tunnels negotiated a termination of two swap transactions with CFP. Each Swap was executed under the subordinate lien ISDA Master Agreement dated August 12, 1998 between CFP, formerly Salomon Brothers Holdings Company Inc., and MTA Bridges and Tunnels. The Swaps were terminated to reduce exposure to CFP. The swap terminations relate to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B and MTA Bridges and Tunnels Subordinate Revenue Variable Rate Bonds, Series 2000CD with notional amounts of $40.4 and $89.85, respectively. MTA Bridges and Tunnels paid CFP a discounted valuation amount of $22.318.
(12) In accordance with a swaption entered into on August 12, 1998 with each Counterparty paying to MTA Bridges and Tunnels a premium of $22,740,000.
(13) On December 18, 2012, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1.

2 Broadway Certificates of Participation Swaps

In addition to the foregoing, MTA, MTA New York City Transit and MTA Bridges and Tunnels entered into separate ISDA Master Agreements with UBS AG relating to the $357,925,000 Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities) in connection with the refunding of certain certificates of participation originally executed to fund certain improvements to the office building located at 2 Broadway in Manhattan. The 2 Broadway swaps have (1) an effective date of September 22, 2004, (2) a fixed rate paid of 3.092%, (3) a variable rate received of the lesser of (a) the actual bond rate, or (b) 67% of one-month LIBOR minus 45 basis points, and (4) a termination date of January 1, 2030. On November 28, 2011, certain portions of these swaps were re-associated with other floating rate bonds, including the MTA Bridges and Tunnels Senior Revenue Bonds Series 2005A-1 and the Transportation Revenue Bonds Series 2002G-1 and 2011B. On December 18, 2012, certain portions of these swaps were re-associated with other floating rate bonds, including the MTA Bridges and Tunnels Senior Revenue Bonds Series 2005A-1 and the Transportation Revenue Bonds 2011B. The portion remaining that is still associated with the 2004A Certificates of Participation is $100,825,000 in notional amount as of March 31, 2013, of which MTA New York City Transit is responsible for $69,260,000 MTA for $21,170,000, and MTA Bridges and Tunnels for $10,395,000. As of March 31, 2013, the fair value of the remaining portion associated with the 2004A COPs was ($13,524,000).

Counterparty Ratings

The current ratings of the counterparties are as follows as of March 31, 2013:

Counterparty	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
AIG Financial Products Corp.	A-	Baa1	BBB+
The Bank of New York Mellon	AA-	Aa1	AA-
BNP Paribas North America, Inc.	AA-	Aa3	A+
Citibank, N.A.	A	A1	A
JPMorgan Chase Bank, NA	A+	Aa3	A+
Morgan Stanley Capital Services Inc.	A-	Baa1	A
UBS AG	A	A2	A

Swap Notional Summary

The following table sets forth the notional amount of Synthetic Fixed Rate debt and the outstanding principal amount of the underlying floating rate series as of March 31, 2013.

Series	Outstanding Principal	Notional Amount
TRB 2012G-4	$ 75,000,000	$ 75,000,000
TRB 2012G-3	75,000,000	75,000,000
TRB 2012G-2	125,000,000	125,000,000
TRB 2012G-1	84,450,000	84,450,000
TRB 2011B	99,560,000	22,370,000
TRB 2005E-3	75,000,000	45,000,000
TRB 2005E-2	75,000,000	45,000,000
TRB 2005E-1	100,000,000	60,000,000
TRB 2005D-2	100,000,000	100,000,000
TRB 2005D-1	150,000,000	150,000,000
TRB 2002G-1	200,000,000	194,100,000
TRB 2002D-2	200,000,000	200,000,000
TBTA SUB 2000AB	113,300,000	113,300,000
TBTA 2005B-4 (a,b,c,d,e)	194,800,000	194,800,000
TBTA 2005B-3	194,800,000	194,800,000
TBTA 2005B-2 (a,b,c)	194,800,000	194,800,000
TBTA 2005A-1	59,390,000	24,855,000
TBTA 2005A (2,3)	70,100,000	-[(1)]
TBTA 2003B (1,2,3)	199,685,000	-[(1)]
TBTA 2002F	209,640,000	194,800,000
DTF 2008B-3c	44,740,000	38,730,000
DTF 2008B-3b	54,470,000	54,470,000
DTF 2008B-3a	35,000,000	35,000,000
DTF 2008A-2	171,845,000	168,377,500
DTF 2008A-1	171,855,000	168,377,500
DTF 2002B-3d	15,900,000	15,900,000
DTF 2002B-3c	50,700,000	50,700,000
DTF 2002B-3b	48,600,000	48,600,000
DTF 2002B-3a	46,600,000	46,600,000
DTF 2002B-1	150,000,000	150,000,000
COPs 2004A	100,825,000	100,825,000
Total	$3,486,060,000	$2,970,855,000

[(1)] Swaps assigned to future maturities of Bonds on a forward basis.

Except as discussed below under the heading "*Rollover Risk*," the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the principal amount of the associated bonds.

Risks Associated with the Swap Agreements

From MTA's, MTA Bridges and Tunnels' and MTA New York City Transit's perspective, the following risks are generally associated with swap agreements:

- Credit Risk – The counterparty becomes insolvent or is otherwise not be able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or MTA/MTA Bridges and Tunnels/MTA New York City Transit, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. See "*Collateralization*" below. Further, ratings deterioration by either party below levels agreed to in each transaction could result in a termination event requiring a cash settlement of the future value of the transaction. See "Termination Risk" below.

- Basis Risk – The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by MTA, MTA Bridges and Tunnels or MTA New York City Transit on the associated bonds may not be the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse MTA, MTA Bridges and Tunnels or MTA New York City Transit for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to MTA, MTA Bridges and Tunnels or MTA New York City Transit.

- Termination Risk – The swap agreement will be terminated and MTA, MTA Bridges and Tunnels or MTA New York City Transit will be required to make a termination payment to the counterparty and, in the case of a swap agreement which was entered into for the purpose of creating a synthetic fixed rate for an advance refunding transaction, may also be required to take action to protect the tax exempt status of the related refunding bonds.

- Rollover Risk – The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds on a variable rate bond issuance, and MTA, MTA Bridges and Tunnels or MTA New York City Transit may be exposed to then market rates and cease to receive the benefit of the synthetic fixed rate for the duration of the bond issue.

Credit Risk. The following table shows, as of March 31, 2013, the diversification, by percentage of notional amount, among the various counterparties that have entered into ISDA Master Agreements with MTA and/or MTA Bridges and Tunnels, or in connection with the 2 Broadway Certificates of Participation refunding. The notional amount totals below include all five swaps (including the UBS basis risk swap) in connection with the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B. The counterparties have the ratings set forth above.

Counterparty	Aggregate Notional Amount for All Issues (in thousands) (Unaudited)	% of Total Notional Amount
JPMorgan Chase Bank, NA	$ 867.550	29.20%
UBS AG	836.950	28.17
Morgan Stanley Capital Services Inc.	440.000	14.81
The Bank of New York Mellon	336.755	11.34
Citibank, N.A.	194.800	6.56
BNP Paribas North America, Inc.	194.800	6.56
AIG Financial Products Corp.	100.000	3.37
Total	$2,970.855	100.00%

The ISDA Master Agreements entered into with the following counterparties provide that the payments under one transaction will be netted against other transactions entered into under the same ISDA Master Agreement:

- JPMorgan Chase Bank, NA with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000AB,
- JPMorgan Chase Bank, NA with respect to the MTA Transportation Revenue Variable Rate Refunding Bonds, Series 2002D-2 and Series 2012G-1,2,3,4G.

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The fair market value of MTA's interest rate swaps changes daily primarily as a result of capital markets changes. Factors that influence the LIBOR-based swaps are interest rates, market expectations of future rate movements, liquidity in the capital markets or changes in the value of the dollar. Factors that influence SIFMA are interest rates, market expectations of future rate movements or liquidity in the capital markets. The relative financial health of MTA's counterparties does not directly impact the fair market value of the transactions.

Collateralization. Generally, the Credit Support Annex attached to the ISDA Master Agreement requires that if the outstanding ratings of MTA, MTA Bridges and Tunnels or MTA New York City Transit, as the case may be, or the counterparty falls to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Collateral must be cash or U.S. government or certain Federal agency securities.

The following tables set forth the ratings criteria and threshold amounts relating to the posting of collateral set forth for MTA, MTA Bridges and Tunnels or MTA New York City Transit, as the case may be, and the counterparty for each swap agreement. In most cases, the Counterparty does not have a Fitch rating on its long-term unsecured debt, so that criteria would not be applicable in determining if the Counterparty is required to post collateral.

MTA Transportation Revenue Bonds		
Associated Bond Issue	If the highest rating of the related MTA bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2002D-2	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10,000,000
	Fitch – BBB and below or unrated Moody's – Baa2 and below or unrated by S&P and Moody's, or S&P – BBB and below or unrated	-0-
TRB Series 2002G-1	See 2 Broadway Certificates of Participation	
Series 2005D-1,2 and Series 2005E-1,2,3	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10,000,000
	Fitch – below BBB+, Moody's – below Baa1, or S&P – below BBB+	-0-
TRB Series 2011B	See 2 Broadway Certificates of Participation	
Series 2012G-1,2,3,4	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10,000,000
	Fitch – BBB and below or unrated Moody's – Baa2 and below or unrated by S&P & Moody's, or S&P – BBB and below or unrated	-0-

MTA Dedicated Tax Fund Bonds		
Associated Bond Issue	If the highest rating of the related MTA bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2002B-1,3a,b,c,d and 2008B-3a,b,c	Fitch – BBB+, or S&P – BBB+	$10,000,000
	Fitch – BBB and below or unrated, or S&P – BBB and below or unrated	-0-
Series 2008A-1,2 [Note: for this swap, MTA is not required to post collateral under any circumstances.]	Fitch – AA- or above, or Moody's – AA3 or above, or S&P – AA- or above	$10,000,000
	Fitch – A+, or Moody's – A1, or S&P – A+	5,000,000
	Fitch – A, or Moody's – A2, or S&P – A-	2,000,000
	Fitch – A-, or Moody's – A3, or S&P – A-	1,000,000
	Fitch – BBB+ and below, or Moody's – Baa1 and below, or S&P – BBB+ and below	-0-

2 Broadway Certificates of Participation		
Associated Bond Issue	If the highest rating of the MTA Transportation Revenue Bonds falls to	Then MTA, MTA Bridges and Tunnels and MTA New York City Transit must post collateral if its estimated termination payments are in excess of
Series 2004A	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$25,000,000
	Fitch – BBB and below or unrated Moody's – Baa2 and below or unrated by S&P & Moody's, or S&P – BBB and below or unrated	-0-
	If the highest rating of the Counterparty's long-term unsecured debt falls to	Then the Counterparty must post collateral if its estimated termination payments are in excess of
Series 2004A	Fitch – BBB+ or lower, or Moody's – Baa1 or lower, or S&P – BBB+ or lower	$ -0-

MTA Bridges and Tunnels Senior Lien Revenue Bonds		
Associated Bond Issue	If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
TBTA Senior 2005A-1	See 2 Broadway Certificates of Participation	
Series 2002F, 2003B-1,2,3 and Series 2005A-2,3, (swap with Citibank, N.A.) Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e (swap with JPM,BNP,UBS)	For counterparty, Fitch – A-, or Moody's – A3, or S&P – A-	$10,000,000
	For counterparty, Fitch – BBB+ and below, or Moody's – Baa1 and below, or S&P – BBB+ and below	-0-
	For MTA, Fitch – BBB+, or Moody's – Baa1, or S&P – BBB+	30,000,000
	For MTA, Fitch – BBB, or Moody's – Baa2, or S&P – BBB	15,000,000
	For MTA, Fitch – BBB- and below, or Moody's – Baa3 and below, or S&P – BBB- and below	-0-

MTA Bridges and Tunnels Subordinate Revenue Bonds		
Associated Bond Issue	If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2000AB	N/A –MTA Bridges and Tunnels is not required to post collateral, but JPMorgan Chase Bank, NA is required to post collateral if its estimated termination payments are in excess of $1,000,000.	

Notwithstanding the foregoing, in the event any downgraded party is responsible for an event of default or potential event of default as defined in the ISDA Master Agreement, the downgraded party must immediately collateralize its obligations irrespective of the threshold amounts.

Under each MTA and MTA Bridges and Tunnels bond resolution, the payments relating to debt service on the swaps are parity obligations with the associated bonds, as well as all other bonds issued under that bond resolution, but all other payments, including the termination payments, are subordinate to the payment of debt service on the swap and all bonds issued under that bond resolution. In addition, MTA and MTA Bridges and Tunnels have structured each of the swaps (other than the 2 Broadway swaps) in a manner that will permit MTA or MTA Bridges and Tunnels to bond the termination payments under any available bond resolution.

Termination Risk: The ISDA Master Agreement sets forth certain termination events applicable to all swaps entered into by the parties to that ISDA Master Agreement. MTA, MTA Bridges and Tunnels and MTA New York City Transit have entered into separate ISDA Master Agreements with each counterparty that govern the terms of each swap with that counterparty, subject to individual terms negotiated in a confirmation.

The following table sets forth, for each swap, the additional termination events for the following associated bond issues. In certain swaps, where the counterparty has a guarantor of its obligations, the ratings criteria apply to the guarantor and not to the counterparty.

MTA Transportation Revenue	
Associated Bond Issue	Additional Termination Event(s)
Series 2002D-2, Series 2005D-1,2 and Series 2005E-1,2,3	The ratings by S&P and Moody's of the Counterparty or the MTA Transportation Revenue Bonds falls below "BBB-" and "Baa3," respectively, or are withdrawn.
TRB Series 2002G-1	See 2 Broadway Certificates of Participation
Series 2012G-1,2,3,4	The ratings by S&P and Moody's of the Counterparty or the MTA Transportation Revenue Bonds falls below "BBB-" and "Baa3," respectively, or are withdrawn.
TRB Series 2011B	See 2 Broadway Certificates of Participation

MTA Dedicated Tax Fund	
Associated Bond Issue	Additional Termination Event(s)
Series 2002B-1,3a,b,c,d and 2008B-3a,b,c	The ratings by S&P and Fitch of the Counterparty or the MTA Dedicated Tax Fund Bonds fall below "BBB-" or are withdrawn.
Series 2008A-1,2	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1," respectively, or the ratings of S&P or Fitch with respect to the MTA Dedicated Tax Fund Bonds falls below "BBB" or, in either case the ratings are withdrawn.

2 Broadway Certificates of Participation		
Associated Bond Issue	Counterparty	Additional Termination Event(s)
Series 2004A	UBS AG	Negative financial events relating to the swap insurer, Ambac Assurance Corporation.

MTA Bridges and Tunnels Senior and Subordinate Revenue	
Associated Bond Issue	Additional Termination Events
Senior Lien Revenue Bonds	
TBTA Senior 2005-A1	See 2 Broadway Certificates of Participation
Series 2002F, 2003B-1,2,3 and Series 2005A-2,3, (swap with Citibank, N.A.) Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e (swap with JPM,BNP,UBS)	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1," respectively, or the ratings of S&P or Moody's with respect to the MTA Bridges and Tunnels Senior Lien Revenue Bonds falls below "BBB" or "Baa2," respectively, or , in either case the ratings are withdrawn.
Subordinate Revenue Bonds	
Series 2000AB	1. MTA Bridges and Tunnels can elect to terminate the swap relating to a Series on 10 Business Days' notice if the Series of Bonds are converted to a fixed rate, the fixed rate on the converted Bonds is less than the fixed rate on the swap and MTA Bridges and Tunnels demonstrates its ability to make the termination payments, <u>or</u> MTA Bridges and Tunnels redeems a portion of the Series of Bonds and demonstrates its ability to make the termination payments. 2. Negative financial events relating to the related swap insurer, MBIA.

Rollover Risk. MTA and MTA Bridges and Tunnels are exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, MTA or MTA Bridges and Tunnels may not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. The following debt is exposed to rollover risk:

Associated Bond Issue	Bond Maturity Date	Swap Termination Date
MTA Dedicated Tax Fund Variable Rate Bonds, Series 2002B-1,3a,b,c,d	November 1, 2022	September 1, 2013
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F (swap with Citibank, N.A.)	November 1, 2032	January 1, 2032
MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B (swap with Citibank, N.A.)	January 1, 2033	January 1, 2032

TRANSPORTATION REVENUE BONDS

General

There are $17,427,960,000 aggregate principal amount of outstanding Transportation Revenue Bonds as of April 30, 2013. In addition, and not included in the above amount, MTA issued $900 million aggregate principal amount of commercial paper notes in the form of bond anticipation notes under the Transportation Resolution in anticipation of the issuance of MTA Transportation Revenue Bonds. The following **TRB Table 1** sets forth, on a cash basis, the debt service on outstanding MTA Transportation Revenue Bonds as of April 30, 2013.

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

Year Ending December 31	Aggregate Debt Service[(1)(2)(3)]
2013	$ 1,266,144
2014	1,292,803
2015	1,239,186
2016	1,244,438
2017	1,248,361
2018	1,250,286
2019	1,244,325
2020	1,243,414
2021	1,242,459
2022	1,234,926
2023	1,249,363
2024	1,250,310
2025	1,249,524
2026	1,294,775
2027	1,291,916
2028	1,286,983
2029	1,267,138
2030	1,262,508
2031	1,278,064
2032	1,254,009
2033	914,408
2034	911,270
2035	908,034
2036	696,481
2037	665,107
2038	607,475
2039	540,165
2040	440,054
2041	276,487
2042	223,717
2043	84,127
2044	20,828
2045	20,828
2046	20,829
2047	9,009
Total	$31,529,751

(1) Total may not add due to rounding.
(2) Includes the following assumptions for debt service: variable rate bonds at an assumed rate of 4.0%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4.0% otherwise; floating rate notes at the applicable synthetic fixed rate plus the current fixed spread to maturity for the swapped portion and 4.0% plus the current fixed spread to maturity for the portion that is not swapped; Subseries 2002G-1 and Series 2011B at an assumed rate of 4%; Subseries 2008B-3 and Subseries 2008B-4 Bonds at their current coupon to maturity. MTA believes that its 4.0% variable rate assumption is reasonable for long term cost calculations.
(3) Debt service has not been reduced to reflect expected receipt of Build America Bond interest subsidies relating to certain Outstanding Bonds; such subsidies do not constitute pledged revenues under the Transportation Resolution.

Under State law, the Transportation Revenue Bonds are MTA's special obligations, which means that they are payable solely from the money pledged for payment under the Transportation Resolution. They are not MTA's general obligations.

Summaries of certain provisions of the Transportation Resolution, including certain defined terms used therein, and the form of the Interagency Agreement relating thereto have been filed with the MSRB through EMMA, all of which are incorporated by specific cross-reference herein. In addition, for convenience, copies of the summaries and the Interagency Agreement can be obtained at no cost on MTA's website under "MTA Home – MTA Info – Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Capitalized terms used under this caption "TRANSPORTATION REVENUE BONDS" not otherwise defined herein have the meanings set forth in the Transportation Resolution.

Pledged Transportation Revenues

MTA receives "transportation revenues" directly and through certain subsidiaries (currently, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus) and affiliates (currently, MTA New York City Transit and MaBSTOA), and its receipts from many of these sources are pledged for the payment of Transportation Revenue Bonds. The MTA and its subsidiaries also receive operating subsidies from MTA Bridges and Tunnels and a number of other governmental sources. The Transportation Resolution provides that bondholders are to be paid from pledged revenues prior to the payment of operating or other expenses and as described in more detail below. MTA has covenanted to impose fares and other charges so that pledged revenues, together with other available moneys, will be sufficient to cover all debt service and operating and capital costs of the systems. See "Factors Affecting Revenues—*Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses*" below.

TRB Table 2 sets forth the following for the five years ended December 31, 2012:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **TRB Table 2** follows the table, and a more detailed description is set forth in this Appendix A in Part 2 under the heading "REVENUES OF THE RELATED ENTITIES," and

- the amount of transit, commuter and MTA Bus operating expenses.

For the years 2008 to 2012, **TRB Table 2** is based on the historical audited financial statements of MTA and its subsidiaries, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus, and MTA New York City Transit and its subsidiary MaBSTOA. The audited financial statements for MTA and MTA New York City Transit for 2011 and 2012 covered by **TRB Table 2** are included herein by specific cross-reference and should be read in connection with this information. The information in **TRB Table 2** may not be indicative of future results of operations and financial condition. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

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

	Years Ended December 31,				
	2008[7]	2009[7]	2010	2011	2012
Revenues from Systems Operations					
Fares from Transit System	$3,054	$3,149	$3,338	$3,642	$3,706
Fares from Commuter System	1,010	1,013	1,050	1,138	1,169
Fares from MTA Bus	180	181	193	199	202
Other Income[1]	148	161	144	139	197
Subtotal – Operating Revenues	**4,392**	**4,505**	**4,725**	**5,118**	**5,274**
Revenues from MTA Bridges and Tunnels Surplus	**359**	**318**	**406**	**510**	**509**
Revenues from Governmental Sources					
State and Local General Operating Subsidies	**396**	**376**	**340**	**411**	**375**
Special Tax-Supported Operating Subsidies					
DTF Excess[2]	345	373	271	271	241
MMTOA Receipts	1,651	1,250	1,315	1,262	1,343
Urban Tax	523	150	174	353	408
Excess Mortgage Recording Taxes	214	23	25	25	25
Aid Trust Account Receipts[3]	0	0	212	303	306
Mobility Tax Receipts[3]	0	603	1,604	1,415	1,320
PMT Revenue Offset Funds	0	0	0	0	211
Subtotal Special Tax-Supported Operating Subsidies	**2,733**	**2,400**	**3,600**	**3,629**	**3,853**
Station Maintenance and Service Reimbursements	**404**	**370**	**403**	**426**	**460**
City Subsidy for MTA Bus	**285**	**293**	**233**	**292**	**290**
Revenues from Investment of Capital Program Funds[4]	**41**	**19**	**10**	**3**	**11**
Subtotal – Non-Operating Revenues[5]	**4,218**	**3,776**	**4,993**	**5,271**	**5,499**
Total Transportation Resolution Pledged Revenues	**$8,610**	**$8,281**	**$9,718**	**$10,389**	**$10,773**
Debt Service[6]	**729**	**642**	**807**	**925**	**1,093**
Transit Operating Expenses	5,695	5,917	6,187	6,230	6,932
Commuter Operating Expenses	2,060	2,039	2,097	2,115	2,197
MTA Bus Operating Expenses	413	457	473	469	483
Total Operating Expenses	**$8,168**	**$8,413**	**$8,757**	**$8,814**	**$9,612**
Total Operating Expenses and Debt Service	**$8,897**	**$9,055**	**$9,594**	**$9,739**	**$10,705**

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

(2) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTTF Receipts described in Part 3 of this APPENDIX A under the caption "DEDICATED TAX FUND BONDS."

(3) Mobility Tax Receipts and Aid Trust Account Receipts become Pledged Revenues when MTA determines that they will be available for application to the operating needs of the Transit System and the Commuter System. For 2009, the amount shown ($603 million) represents the proceeds of revenue anticipation notes issued during 2009 which were applied to the payment of operating expenses of the Transit and Commuter Systems. $606 million of Mobility Tax Receipts and Aid Trust Account Receipts were applied to the repayment of the 2009 revenue anticipation notes. Approximately $182 million of additional Mobility Tax Receipts and $56 million of Aid Trust Account Receipts received by MTA late in 2009 are reflected in the table as 2010 Pledged Revenues since the MTA did not determine to apply such amounts to operating expenses of the Transit System and the Commuter System until early 2010. For 2010, the Pledged Revenues shown include $480 million which represents the proceeds of revenue anticipation notes issued in 2010 which were applied to the payment of operating expenses of the Transit System and the Commuter System. $482 million of Mobility Tax Receipts and Aid Trust Account Receipts were applied to the repayment of the 2010 revenue anticipation notes. The MTA did not issue revenue anticipation notes in 2011 or 2012.

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

(5) Sum of (a) Revenues from MTA Bridges and Tunnels Surplus, (b) MTA Bridges and Tunnels – Refund of Excess Debt Service Payments, (c) Revenues from Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), (d) Station Maintenance and Service Reimbursements, (e) City Subsidy for MTA Bus and (f) Revenues from Investment of Capital Program Funds.

(6) 2008 and 2009 Debt Service reflects an economic defeasance done in 2008.

(7) Total Operating Expenses and Debt Service for 2008 and 2009 are higher than Transportation Resolution Pledged Revenues. For 2008 and 2009 additional non-pledged revenues, including concession revenues at Pennsylvania Station and Grand Central Terminal, and prior years' cash balances resulted in balanced budgets.

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

- MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts advanced into the fourth quarter of the preceding year. MTA continues to monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if working capital borrowings may be necessary. MTA did borrow for working capital in 2009 and 2010. In 2011 and 2012 MTA did not borrow for working capital. MMTOA Receipts increased every year between 2005 and 2008 due to increased tax collections and additional appropriations to MTA. MMTOA Receipts fell in 2009 primarily due to lower economic activity and the State's reduction in prior appropriations by $143 million. MMTOA Receipts decreased slightly in 2011 from the prior year's revenue, but were in line with budget expectations. MMTOA Receipts decreased slightly in 2011 and increased in 2012 from the prior year's revenue, but, in each case, were in line with budget expectations.

- The "Urban Tax" collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds from 2005 through 2007 reflect the very high level of real estate sale and refinancing activity during those years. These revenues fell 41% to $523 million in 2008 and fell further to $150 million in 2009. However, for the past three years Urban Tax revenues continuously increased due to improvements in residential and commercial real estate transactions.

- Excess mortgage recording taxes were available for Transit and Commuter Systems purposes after the payment of MTA Headquarters Expenses. However, due to declining mortgage recording taxes receipts and increasing MTA Headquarters Expenses, the current Financial Plan provides for no Excess Mortgage Recording Tax transfers to the Transit and Commuter Systems. Excess mortgage recording taxes fell from $214 million in 2008 to $23 million in 2009, and increased to $25 million in 2010, 2011 and 2012. In 2009 through 2012, Excess Mortgage Recording Taxes were used to pay MTA Bus debt service subject to subsequent reimbursement by the City of New York.

- DTF Excess decreased in 2010 due to additional borrowing under the DTF Resolution and declined further in 2012 due to lower MTTF Receipts.

- Revenues from Investment of Capital Program Funds – substantially all of the investment income is generated from bond proceeds, such as funds held in anticipation of expenditure on project costs.

- The increase in Transit Operating Expenses in 2012 was largely due to increase in pension costs from NYCERS and Tropical Storm Sandy related expenses.

Description of Pledged Revenues

Each of the following pledged revenues is described in more detail in this Appendix A in Part 2 under the caption "REVENUES OF THE RELATED ENTITIES":

- Fares and Tolls – *Transit System Fares*,
- Fares and Tolls – *Transit System Fare Reimbursements from the City*,
- Fares and Tolls – *Commuter System Fares*,
- Fares and Tolls – *MTA Bus Fares,*
- State and Local General Operating Subsidies,
- State Special Tax Supported Operating Subsidies,
- Metropolitan Transportation Authority Financial Assistance Fund Receipts,
- Urban Taxes for Transit System,
- MTA Bridges and Tunnels Surplus,
- Financial Assistance and Service Reimbursements from Local Municipalities and
- Miscellaneous Revenues.

Pledged revenues also include payments made by the City under its agreement with MTA Bus to reimburse MTA Bus the difference between the actual cost of operation of the City Bus Routes (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the City Bus Routes, as further described under the caption "MTA BUS COMPANY."

Factors Affecting Revenues

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

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

Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses. The Transit, Commuter and MTA Bus Systems have depended, and are expected to continue to depend, upon government subsidies to meet capital and operating needs. Thus, although MTA is legally obligated by the Transportation Resolution's rate covenant to raise fares sufficiently to cover all capital and operating costs, there can be no assurance that there is any level at which Transit, Commuter and MTA Bus Systems fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budget prepared in connection with 2013 and the forecasts prepared in connection with 2014, 2015 and 2016) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

Operating Results and Projections. Based upon the adoption of the 2013-2016 Financial Plan, the budgets of the Related Entities are expected to be substantially in balance through 2013, but there are expected to be deficits in 2014, 2015 and 2016. Any of the Transit System, the Commuter System or MTA Bus System or all of them may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other additional actions to close projected budget gaps, which could include additional fare increases.

2013-2016 Financial Plan. The 2013-2016 Financial Plan, the 2010-2014 Capital Program and prior and future Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the 2013-2016 Financial Plan, 2010-2014 Capital Program and prior and future Capital Programs, as well as on pledged revenues. See "FINANCIAL PLANS AND CAPITAL PROGRAMS" in Part 2 of this Appendix A.

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

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

- Subsidy payments by the State may be made only if and to the extent that appropriations have been made by the Legislature and money is available to fund those appropriations.

- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made.

- The State is not bound or obligated to continue to pay operating subsidies to the Transit System, Commuter System or MTA Bus System or to continue to impose any of the taxes currently funding those subsidies.

- The financial condition of the States of New York and Connecticut, and the City and counties in the MTA Commuter Transportation District, could affect the ability or willingness of the States and local governments to continue to provide general operating subsidies, the City and local governments to continue to provide reimbursements and station maintenance payments, and the State to continue to make special appropriations.

- Court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA, if successful, could adversely affect the amount of pledged revenues generated by such State taxes.

Security – General

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

The payment of principal (including sinking fund installments, if any), redemption premium, if any, and interest on the Transportation Revenue Bonds is secured by, among other sources described below, the transportation revenues discussed in the preceding section which are, together with certain other revenues, referred to as "pledged revenues."

Summaries of certain provisions of the Transportation Resolution, including certain defined terms used therein, have been filed with the MSRB through EMMA, all of which are incorporated by specific cross-reference herein. In addition, for convenience, copies of the summaries can be obtained on MTA's website under "MTA Home – MTA Info – Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Holders of Transportation Revenue Bonds are to be paid prior to the payment, from pledged revenues, of operating or other expenses of MTA, MTA New York City Transit, MaBSTOA, MTA Long Island Rail Road, MTA Metro-North Railroad and MTA Bus. However, MTA's ability to generate major portions of the pledged revenues depends upon its payment of operating and other expenses.

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

Pledge Effected by the Resolution

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

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of Transit and Commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established pursuant to a related supplemental resolution, and excluded by such supplemental resolution from the Trust

Estate as security for all Transportation Revenue Bonds, in connection with variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and

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

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

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

Flow of Revenues

The Transportation Resolution creates the following funds and accounts:

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

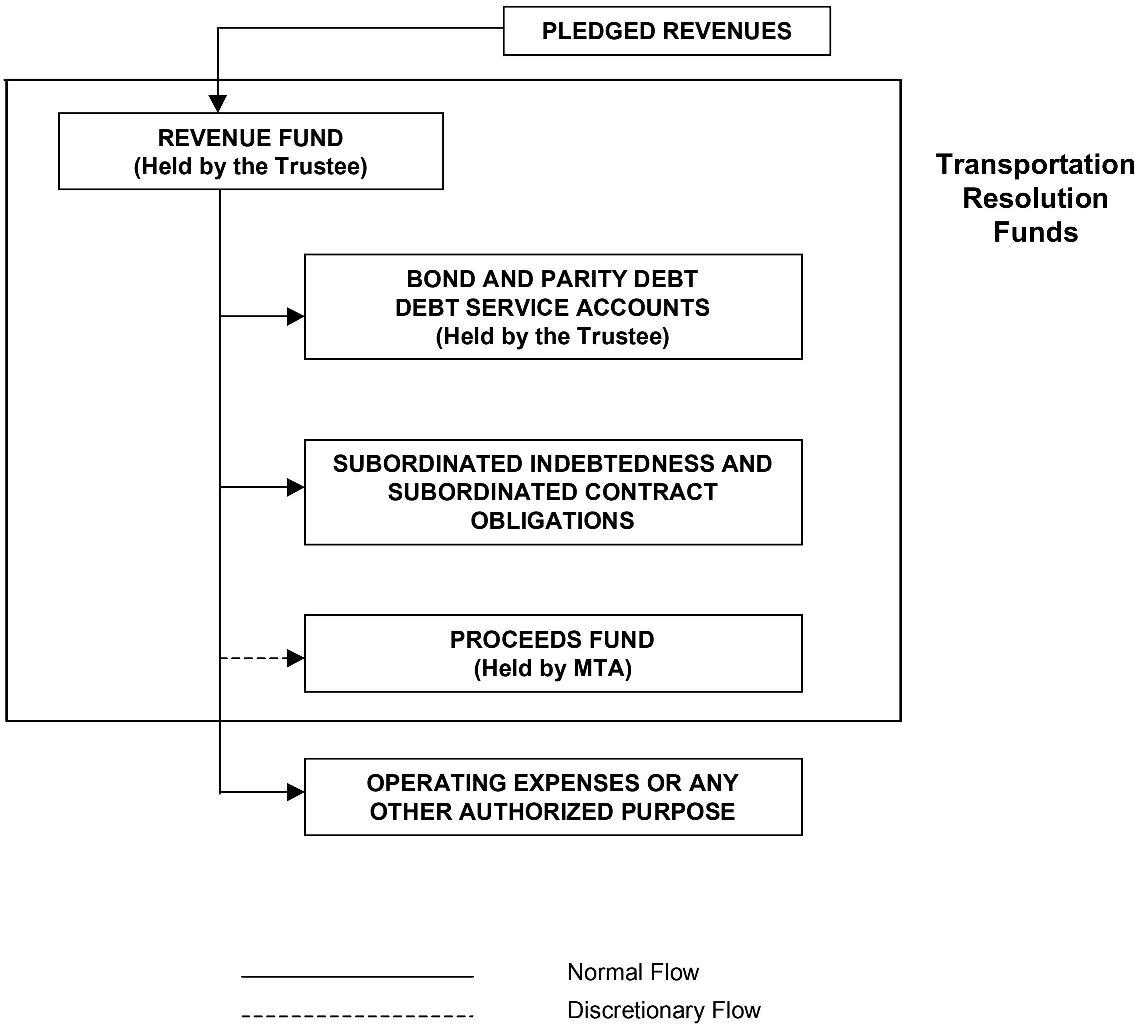
The Transportation Resolution requires the trustee, promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

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

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

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

TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



Covenants

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

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

Operating and Maintenance Covenants.

- MTA, MaBSTOA, MTA New York City Transit, MTA Bus, MTA Metro-North Railroad and MTA Long Island Rail Road are required at all times to operate, or cause to be operated, the systems properly and in a sound and economical manner and maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition.

- Nothing in the Transportation Resolution prevents MTA from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the systems if, in MTA's judgment it is advisable to do so, but only if the operation is not essential to the maintenance and continued operation of the rest of the systems and this arrangement does not materially interfere with MTA's ability to comply with MTA's rate covenants.

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

There is no covenant with bondholders limiting the aggregate principal amount of additional Transportation Revenue Bonds or Parity Debt that MTA may issue. There is a limit under current New York law that covers the Transportation Revenue Bonds and certain other securities. See "PUBLIC DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS—GENERAL—Financing of Capital Projects and Statutory Ceiling—*Current Statutory Ceiling*" above for a description of the current statutory cap.

Refunding Bonds. MTA may issue Transportation Revenue Bonds to refund all or any portion of the Transportation Revenue Bonds or Parity Debt.

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

No Bankruptcy. New York law specifically prohibits MTA or the other Related Entities from filing a bankruptcy petition under Chapter 9 of the U.S. Federal Bankruptcy Code. As long as any Transportation Revenue Bonds are outstanding, the State has covenanted not to change the law to permit MTA or its affiliates or subsidiaries to file such a petition. Chapter 9 does not provide authority for creditors to file involuntary bankruptcy proceedings against MTA or other Related Entities.

Parity Debt

MTA may incur Parity Debt pursuant to the terms of the Transportation 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 Transportation Resolution with respect to Transportation 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.

MTA BRIDGES AND TUNNELS SENIOR REVENUE BONDS

There are $6,864,920,000 aggregate principal amount of outstanding MTA Bridges and Tunnels Senior Revenue Bonds as of April 30, 2013. The following **MTA Bridges and Tunnels Senior Table 1** sets forth, on a cash basis, the debt service thereon as of April 30, 2013.

MTA Bridges and Tunnels Senior Table 1
Aggregate Senior Lien Debt Service
(in thousands)

Year Ending December 31	Aggregate Debt Service [(1)(2)(3)]
2013	$ 471,165
2014	482,808
2015	483,706
2016	483,855
2017	486,911
2018	484,419
2019	480,441
2020	480,917
2021	480,937
2022	480,765
2023	482,267
2024	470,387
2025	469,938
2026	469,877
2027	470,048
2028	483,570
2029	483,938
2030	484,363
2031	485,364
2032	453,865
2033	225,814
2034	232,777
2035	268,271
2036	259,648
2037	259,708
2038	258,472
2039	87,400
2040	40,319
2041	17,065
2042	17,070
2043	3,346
Total	$11,239,429

(1) Total may not add due to rounding. Debt service payable on January 1 of each year is included in the prior year's debt service.

(2) Includes the following assumptions for debt service: variable rate bonds at an assumed rate of 4.0%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4.0% otherwise; floating rate notes at the applicable synthetic fixed rate plus the current fixed spread to maturity for the swapped portion and 4.0% plus the current fixed spread to maturity for the portion that is not swapped; Subseries 2005A-1 at an assumed rate of 4%; Subseries 2008B-1, Subseries 2008B-2 and Subseries 2008B-3 Bonds at their current coupon to maturity. MTA believes that its 4.0% variable rate assumption is reasonable for long term cost calculations.

(3) Debt service has not been reduced to reflect the expected receipt of Build America Bonds interest credit payments relating to certain outstanding bonds; such credit payments do not constitute Pledged Revenues under the Senior Bridges and Tunnels Resolution.

Sources of Payment

MTA Bridges and Tunnels receives its revenues from all tolls, rates, fees, charges, rents, proceeds of use and occupancy insurance on any portion of its tunnels, bridges and other facilities, including the net revenues of the Battery Parking Garage, and MTA Bridges and Tunnels' receipts from those sources, after payment of MTA Bridges and Tunnels' operating expenses, are pledged to the holders of the MTA Bridges and Tunnels Senior Revenue Bonds for payment, as described below.

MTA Bridges and Tunnels is required to fix and collect tolls for the MTA Bridges and Tunnels Facilities, and MTA Bridges and Tunnels' power to establish toll rates is not subject to the approval of any governmental entity. For more information relating to MTA Bridges and Tunnels' power to establish tolls, see "RIDERSHIP AND FACILITIES USE – Toll Rates" in Part 5 of Appendix A.

MTA Bridges and Tunnels Senior Table 2 sets forth, by MTA Bridges and Tunnels Facility, the amount of revenues for each of the last five years, as well as operating expenses. The audited financial statements for MTA and MTA Bridges and Tunnels for 2011 and 2012 covered by **MTA Bridges and Tunnels Senior Table 2** are included herein by specific cross-reference and should be read in connection with this information. The information in **MTA Bridges and Tunnels Senior Table 2** may not be indicative of future results of operations and financial condition. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

MTA Bridges and Tunnels Senior Table 2
Historical Revenues, Operating Expenses and Senior Lien Debt Service
(in thousands)

	Years Ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Bridge and Tunnel Revenues:					
Robert F. Kennedy Bridge	$ 287,877	$ 304,794	$ 326,103	$ 339,792	$ 336,781
Verrazano-Narrows Bridge	278,906	295,901	312,873	330,886	326,797
Bronx Whitestone Bridge	212,125	225,224	229,428	230,669	240,236
Throgs Neck Bridge	219,855	222,825	240,343	266,307	260,468
Henry Hudson Bridge	46,126	49,581	54,452	59,246	57,828
Marine Parkway Gil Hodges Memorial Bridge	12,019	12,921	13,774	14,003	15,698
Cross Bay Veterans' Memorial Bridge	12,212	12,694	13,914	14,139	15,535
Queens Midtown Tunnel	131,264	134,927	146,934	158,668	153,825
Brooklyn-Battery Tunnel (renamed to Hugh L. Carey Tunnel)	73,590	73,248	79,225	87,879	83,814
Total Bridge and Tunnel Revenues:	$1,273,974	$1,332,115	$1,417,046	$1,501,589	$1,490,982
Investment Income and Other[1]	23,911	14,918	21,332	23,921	27,167
Total Revenues	**$1,297,885**	**$1,347,033**	**$1,438,378**	**$1,525,510**	**$1,518,149**
Operating Expenses[2]					
Personnel Costs	$ 207,305	$ 220,458	$ 209,499	$ 208,342	$ 220,577
Maintenance and Other Operating Expenses	200,686	177,367	173,950	150,502	157,463
Total Operating Expenses	**$ 407,991**	**$ 397,825**	**$ 383,449**	**$ 358,844**	**$ 378,040**
Net Revenues Available for Debt Service	**$ 889,894**	**$ 949,208**	**$1,054,929**	**$1,166,666**	**$1,140,109**
MTA Bridges and Tunnels Senior Lien Debt Service	**$ 354,688**	**$ 359,992**	**$ 445,934**	**$ 466,338**	**$ 453,832**
Senior Lien Coverage	**2.51x**	**2.64x**	**2.37x**	**2.50x**	**2.51x**

(1) Includes the net revenues from the Battery Parking Garage, as well as E-ZPass administrative fees and miscellaneous other revenues. Investment earnings include interest earned on bond funds, including debt service funds that were applied to the payment of debt service as follows for the years 2008 through 2012, respectively: $6,082, $718, $778, $157 and $240. The amounts set forth in this footnote, as well as all of **MTA Bridges and Tunnels Senior Table 2**, are derived from MTA Bridges and Tunnels' audited financial statements for the years 2008 through 2012.

(2) Excludes depreciation, other post-employment benefits other than pensions and asset impairment due to Tropical Storm Sandy.

The following should be noted in MTA Bridges and Tunnels Senior Table 2:

- Bridge and Tunnel Revenues – In 2008, crossing charges were increased effective March 16, 2008; in 2009, crossing charges were increased effective July 12, 2009; and in 2010, crossing charges were increased effective December 30, 2010. In 2012, revenues decreased due to the effects of Tropical Storm Sandy.

- Operating Expenses—Personnel Costs –The 2008 and 2009 increases in personnel costs were caused by increases in salaries and wages and pension costs. The 2010 and 2011 decreases in personnel costs were caused by decreases in salaries and wages. The 2012 increase in personnel costs was primarily due to an increase in pension costs and Sandy-related costs.

- Operating Expenses—Maintenance and Other Operating Expenses – In 2008, the major increases were due to increases in major maintenance. In 2009, non-labor expenses were 11.62% lower than in 2008 primarily due to a decrease in bridge painting. In 2010, the decrease in non-labor expenses was primarily caused by a decrease in bridge painting, offset by an increase in E-ZPass tag purchases. In 2011, the decrease in non-labor expenses was primarily caused by decreases in bridge painting and E-ZPass tag purchases. In 2012, the increase in non-labor expenses was primarily due to Tropical Storm Sandy related expenses.

Security – General

MTA Bridges and Tunnels Senior Revenue Bonds are general obligations of MTA Bridges and Tunnels payable solely from the trust estate (described below) pledged for the payment of the Bonds and Parity Debt pursuant to the terms of the MTA Bridges and Tunnels Senior Resolution, after the payment of Operating Expenses.

Summaries of certain provisions of the MTA Bridges and Tunnels Senior Resolution, including certain defined terms used therein, have been filed with the MSRB through EMMA, all of which are incorporated by specific cross-reference herein. In addition, for convenience, copies of the summaries can be obtained on MTA's website under "MTA Home – MTA Info– Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Capitalized terms used under this caption "MTA BRIDGES AND TUNNELS SENIOR REVENUE BONDS" not otherwise defined herein have the meanings set forth in the MTA Bridges and Tunnels Senior Resolution, except that the term "MTA Bridges and Tunnels" is used herein in place of the definition "TBTA." So, for example, the term "MTA Bridges and Tunnels Facilities" as used herein is referred to in the MTA Bridges and Tunnels Senior Resolution and in the summaries thereof as "TBTA Facilities."

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

Pledge Effected by the MTA Bridges and Tunnels Senior Resolution

The Bonds and Parity Debt issued in accordance with the MTA Bridges and Tunnels Senior Resolution are secured by a net pledge of Revenues after the payment of Operating Expenses.

Pursuant to, and in accordance with, the MTA Bridges and Tunnels Senior Resolution, MTA Bridges and Tunnels has pledged to the holders of the MTA Bridges and Tunnels Senior Revenue Bonds a "trust estate," which consists of

- Revenues,
- the proceeds from the sale of the MTA Bridges and Tunnels Senior Revenue Bonds, and
- all funds, accounts and subaccounts established by the MTA Bridges and Tunnels Senior Resolution (except those established pursuant to a related supplemental resolution, and excluded by such supplemental resolution from the Trust Estate as security for all MTA Bridges and Tunnels Senior Revenue Bonds in

connection with variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt).

Revenues and Additional MTA Bridges and Tunnels Projects

Revenues from MTA Bridges and Tunnels Facilities. MTA Bridges and Tunnels does not currently derive any significant recurring Revenues from any sources other than the MTA Bridges and Tunnels Facilities and investment income. Income from the MTA Bridges and Tunnels Transit and Commuter Project (the Transit and Commuter Systems) is not derived by or for the account of MTA Bridges and Tunnels; consequently, no revenues from any portion of the MTA Bridges and Tunnels Transit and Commuter Project are pledged to the payment of debt service on the MTA Bridges and Tunnels Senior Revenue Bonds.

Additional MTA Bridges and Tunnels Projects that can become MTA Bridges and Tunnels Facilities. If MTA Bridges and Tunnels is authorized to undertake another project, whether or not a bridge or tunnel, that project can become an MTA Bridges and Tunnels Facility for purposes of the MTA Bridges and Tunnels Senior Resolution if it is designated as such by MTA Bridges and Tunnels and it satisfies certain conditions more fully described under "SUMMARY OF CERTAIN PROVISIONS OF THE TBTA RESOLUTION – Additional TBTA Facilities" in the summaries of documents.

Flow of Revenues

The MTA Bridges and Tunnels Senior Resolution establishes the following funds and accounts, each held by MTA Bridges and Tunnels:

- Revenue Fund,
- Proceeds Fund,
- Debt Service Fund, and
- General Fund.

Under the MTA Bridges and Tunnels Senior Resolution, MTA Bridges and Tunnels is required to pay into the Revenue Fund all Revenues as and when received and available for deposit.

MTA Bridges and Tunnels is required to pay out from the Revenue Fund, on or before the 25th day of each calendar month, the following amounts in the following order of priority:

- payment of reasonable and necessary Operating Expenses or accumulation in the Revenue Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including amounts determined by MTA Bridges and Tunnels to be required as an operating reserve, or (iii) deemed necessary or desirable by MTA Bridges and Tunnels to comply with orders or rulings of an agency or regulatory body having lawful jurisdiction;

- transfer to the Debt Service Fund, the amount, if any, required so that the balance in the fund is equal to Accrued Debt Service to the last day of the current calendar month; provided, however, that in no event shall the amount to be so transferred be less than the amount required for all payment dates occurring prior to the 25th day of the next succeeding calendar month;

- transfer to another person for payment of, or accrual for payment of, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligations; and

- transfer to the General Fund any remaining amount.

All amounts paid out by MTA Bridges and Tunnels for an authorized purpose (excluding transfers to any other pledged Fund or Account), or withdrawn from the General Fund in accordance with the MTA Bridges and Tunnels

Senior Resolution, are free and clear of the lien and pledge created by the MTA Bridges and Tunnels Senior Resolution.

Under the MTA Bridges and Tunnels Senior Resolution, MTA Bridges and Tunnels is required to use amounts in the General Fund to make up deficiencies in the Debt Service Fund and the Revenue Fund, in that order. Subject to the preceding sentence and any lien or pledge securing Subordinated Indebtedness, the MTA Bridges and Tunnels Senior Resolution authorizes MTA Bridges and Tunnels to release amounts in the General Fund to be paid to MTA Bridges and Tunnels free and clear of the lien and pledge created by the MTA Bridges and Tunnels Senior Resolution.

MTA Bridges and Tunnels is required by law to transfer amounts released from the General Fund to MTA, and a statutory formula determines how MTA allocates that money between the Transit and Commuter Systems.

Rate Covenant

Under the MTA Bridges and Tunnels Senior Resolution, MTA Bridges and Tunnels is required at all times to establish, levy, maintain and collect, or cause to be established, levied, maintained and collected, such tolls, rentals and other charges in connection with the MTA Bridges and Tunnels Facilities as shall always be sufficient, together with other money available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidences of indebtedness of MTA Bridges and Tunnels that will be used to pay the principal of Obligations issued in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of MTA Bridges and Tunnels Facilities), to equal or exceed in each calendar year the greater of:

- an amount equal to the sum of amounts necessary in such calendar year
  - to pay all Operating Expenses of MTA Bridges and Tunnels, plus
  - to pay Calculated Debt Service, as well as the debt service on all Subordinated Indebtedness and all Subordinated Contract Obligations, plus
  - to maintain any reserve established by MTA Bridges and Tunnels pursuant to the MTA Bridges and Tunnels Senior Resolution, in such amount as may be determined from time to time by MTA Bridges and Tunnels in its judgment, or
- an amount such that Revenues less Operating Expenses shall equal at least 1.25 times Calculated Debt Service on all senior lien Bonds for such calendar year.

For a more complete description of the rate covenant and a description of the minimum tolls that can be charged at the MTA Bridges and Tunnels Facilities, see “SUMMARY OF CERTAIN PROVISIONS OF THE TBTA RESOLUTION – Rates and Fees” in the summaries of documents.

Additional Bonds

Under the provisions of the MTA Bridges and Tunnels Senior Resolution, MTA Bridges and Tunnels may issue one or more series of Additional Bonds on a parity with the outstanding MTA Bridges and Tunnels Senior Revenue Bonds to provide for Capital Costs.

Certain Additional Bonds for MTA Bridges and Tunnels Facilities. MTA Bridges and Tunnels may issue Additional Bonds without satisfying any earnings or coverage test for the purpose of providing for Capital Costs relating to MTA Bridges and Tunnels Facilities for the purpose of keeping such MTA Bridges and Tunnels Facilities in good operating condition or preventing a loss of Revenues or Revenues after payment of Operating Expenses derived from such MTA Bridges and Tunnels Facilities.

Additional Bonds for Other Purposes. MTA Bridges and Tunnels may issue Additional Bonds to pay or provide for the payment of all or part of Capital Costs relating to any of the following purposes:

- MTA Bridges and Tunnels Transit and Commuter Project,
- any Additional MTA Bridges and Tunnels Project (that does not become an MTA Bridges and Tunnels Facility), or
- any MTA Bridges and Tunnels Facilities other than for the purposes set forth in the preceding paragraph.

In the case of Additional Bonds issued other than for the improvement, reconstruction or rehabilitation of MTA Bridges and Tunnels Facilities as described under the preceding heading, in addition to meeting certain other conditions, all as more fully described in "SUMMARY OF CERTAIN PROVISIONS OF THE TBTA RESOLUTION – Special Provisions for Capital Cost Obligations" in the summaries of documents, an Authorized Officer must certify that the historical Twelve Month Period Net Revenues are at least equal to 1.40 times the Maximum Annual Calculated Debt Service on all senior lien Bonds, including debt service on the MTA Bridges and Tunnels Senior Revenue Bonds to be issued.

Refunding Bonds

MTA Bridges and Tunnels Senior Revenue Bonds may be issued for the purpose of refunding MTA Bridges and Tunnels Senior Revenue Bonds if (a) the Maximum Annual Calculated Debt Service (including the refunding MTA Bridges and Tunnels Senior Revenue Bonds then proposed to be issued but not including the MTA Bridges and Tunnels Senior Revenue Bonds to be refunded) is equal to or less than the Maximum Annual Calculated Debt Service on the MTA Bridges and Tunnels Senior Revenue Bonds as calculated immediately prior to the refunding (including the refunded MTA Bridges and Tunnels Senior Revenue Bonds but not including the refunding MTA Bridges and Tunnels Senior Revenue Bonds) or (b) the conditions referred to above under Additional Bonds for the category of MTA Bridges and Tunnels Senior Revenue Bonds being refunded are satisfied.

For a more complete description of the conditions that must be satisfied before issuing refunding Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE TBTA RESOLUTION – Refunding Obligations" in the summaries of documents.

Parity Debt

MTA Bridges and Tunnels may incur Parity Debt pursuant to the terms of the MTA Bridges and Tunnels Senior 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 MTA Bridges and Tunnels Senior Resolution with respect to MTA Bridges and Tunnels Senior Revenue 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 Bridges and Tunnels designated as constituting "Parity Debt" in a certificate of an Authorized Officer delivered to the Trustee.

Subordinate Obligations

The MTA Bridges and Tunnels Senior Resolution authorizes the issuance or incurrence of subordinate obligations. See "MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS" below.

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS

There are $1,815,560,000 aggregate principal amount of outstanding MTA Bridges and Tunnels Subordinate Revenue Bonds as of April 30, 2013. The following **MTA Bridges and Tunnels Subordinate Table 1** sets forth, on a cash basis, the debt service thereon and on the MTA Bridges and Tunnels Senior Revenue Bonds as of April 30, 2013.

MTA Bridges and Tunnels Subordinate Table 1
Aggregate Senior and Subordinate Debt Service[(1)]
(in thousands)

Year Ending December 31	MTA Bridges and Tunnels Senior Bonds Debt Service[(2)]	MTA Bridges and Tunnels Subordinate Debt Service[(3)]	MTA Bridges and Tunnels Aggregate Debt Service
2013	$ 471,165	$ 126,491	$ 597,656
2014	482,808	135,107	617,914
2015	483,706	134,393	618,099
2016	483,855	135,661	619,515
2017	486,911	135,718	622,629
2018	484,419	133,604	618,023
2019	480,441	136,600	617,041
2020	480,917	135,723	616,640
2021	480,937	136,622	617,558
2022	480,765	135,952	616,717
2023	482,267	136,594	618,860
2024	470,387	136,690	607,077
2025	469,938	136,618	606,557
2026	469,877	136,881	606,758
2027	470,048	136,868	606,916
2028	483,570	137,220	620,790
2029	483,938	137,068	621,006
2030	484,363	137,428	621,791
2031	485,364	136,587	621,951
2032	453,865	88,508	542,373
2033	225,814		225,814
2034	232,777		232,777
2035	268,271		268,271
2036	259,648		259,648
2037	259,708		259,708
2038	258,472		258,472
2039	87,400		87,400
2040	40,319		40,319
2041	17,065		17,065
2042	17,070		17,070
2043	3,346		3,346
Total	$11,239,429	$2,666,333	$13,905,761

(1) Totals may not add due to rounding. Debt service payable on January 1 of each year is included in the prior year's debt service.

(2) Includes assumptions set forth in connection with the MTA Bridges and Tunnels Senior Revenue Bonds.

(3) Includes the following assumptions for debt service: variable rate bonds at an assumed rate of 4.0%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4.0% otherwise. MTA believes that its 4.0% variable rate assumption is reasonable for long term cost calculations.

Sources of Payment

The revenues that are pledged to pay the MTA Bridges and Tunnels Subordinate Revenue Bonds are the same as the revenues that are pledged to pay the MTA Bridges and Tunnels Senior Revenue Bonds. See "MTA BRIDGES AND TUNNELS SENIOR REVENUE BONDS – Sources of Payment" above.

MTA Bridges and Tunnels Subordinate Table 2 sets forth, by MTA Bridges and Tunnels Facility, the amount of revenues for each of the last five years, as well as operating expenses. The audited financial statements for MTA and MTA Bridges and Tunnels for 2011 and 2012 covered by **MTA Bridges and Tunnels Subordinate Table 2** are included herein by specific cross-reference and should be read in connection with this information. This information in **MTA Bridges and Tunnels Subordinate Table 2** may not be indicative of future results of operations and financial condition. The information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

MTA Bridges and Tunnels Subordinate Table 2
Historical Revenues, Operating Expenses and Senior and Subordinate Debt Service
(in thousands)

	Years Ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Bridge and Tunnel Revenues:					
Robert F. Kennedy Bridge	$ 287,877	$ 304,794	$ 326,103	$ 339,792	$ 336,781
Verrazano-Narrows Bridge	278,906	295,901	312,873	330,886	326,797
Bronx-Whitestone Bridge	212,125	225,224	229,428	230,669	240,236
Throgs Neck Bridge	219,855	222,825	240,343	266,307	260,468
Henry Hudson Bridge	46,126	49,581	54,452	59,246	57,828
Marine Parkway Gil Hodges Memorial Bridge	12,019	12,921	13,774	14,003	15,698
Cross Bay Veterans' Memorial Bridge	12,212	12,694	13,914	14,139	15,535
Queens Midtown Tunnel	131,264	134,927	146,934	158,668	153,825
Hugh L. Carey Tunnel (formerly the Brooklyn-Battery Tunnel)	73,590	73,248	79,225	87,879	83,814
Total Bridge and Tunnel Revenues:	$1,273,974	$1,332,115	$1,417,046	$1,501,589	$1,490,982
Investment Income and Other(1)	23,911	14,918	21,332	23,921	27,167
Total Revenues	**$1,297,885**	**$1,347,033**	**$1,438,378**	**$1,525,510**	**$1,518,149**
Operating Expenses(2)					
Personnel Costs	$ 207,305	$ 220,458	$ 209,499	$ 208,342	$ 220,577
Maintenance and Other Operating Expenses	200,686	177,367	173,950	150,502	157,463
Total Operating Expenses	**$ 407,991**	**$ 397,825**	**$ 383,449**	**$ 358,844**	**$ 378,040**
Net Revenues Available for Debt Service	**$ 889,894**	**$ 949,208**	**$1,054,929**	**$1,166,666**	**$1,140,109**
MTA Bridges and Tunnels Senior Lien Debt Service	**$ 354,688**	**$ 359,992**	**$ 445,934**	**$ 466,338**	**$ 453,832**
Subordinate Bond Fund Investment Earnings	$ 1,525	$ 81	$ 67	$ 43	$ 54
Net Revenues Available for Subordinate Debt Service	**$ 536,731**	**$ 589,297**	**$ 609,062**	**$ 700,371**	**$ 686,331**
Debt Service on Subordinate Revenue Bonds	**$ 154,839**	**$ 147,043**	**$ 149,163**	**$ 148,276**	**$ 145,358**
Total Debt Service (Senior and Subordinate)	**$ 509,527**	**$ 507,035**	**$ 595,097**	**$ 614,614**	**$ 599,190**
Combined Debt Service Coverage Ratio	**1.75x**	**1.87x**	**1.77x**	**1.90x**	**1.90x**

(1) Includes the net revenues from the Battery Parking Garage, as well as E-ZPass administrative fees and miscellaneous other revenues. Investment earnings include interest earned on bond funds, including debt service and debt service reserve funds that were applied to the payment of debt service as follows for the years 2008 through 2012, respectively: $6,082, $718, $778, $157 and $240. The amounts set forth in this footnote, as well as all of MTA Bridges and Tunnels Subordinate Table 2, are derived from MTA Bridges and Tunnels' audited financial statements for the years 2008 through 2012.

(2) Excludes depreciation, other post-employment benefits other than pensions and asset impairment due to Tropical Storm Sandy.

The following should be noted in MTA Bridges and Tunnels Subordinate Table 2:

- Bridge and Tunnel Revenues – In 2008, crossing charges were increased effective March 16, 2008; in 2009, crossing charges were increased effective July 12, 2009; and in 2010, crossing charges were increased effective December 30, 2010. In 2012, revenues decreased due to the effects of Tropical Storm Sandy.

- Operating Expenses—Personnel Costs – The 2008 and 2009 increases in personnel costs were caused by increases in salaries and wages and pension costs. The 2010 and 2011 decreases in personnel costs were caused by decreases in salaries and wages. The 2012 increase in personnel costs was primarily due to an increase in pension costs and Sandy-related costs.

- Operating Expenses—Maintenance and Other Operating Expenses – In 2008, the major increases were due to increases in major maintenance. In 2009, non-labor expenses were 11.62% lower than in 2008 primarily due to a decrease in bridge painting. In 2010, the decrease in non-labor expenses was primarily caused by a decrease in bridge painting, offset by an increase in E-ZPass tag purchases. In 2011, the decrease in non-labor expenses was primarily caused by decreases in bridge painting and E-ZPass tag purchases. In 2012, the increase in non-labor expenses was primarily due to Tropical Storm Sandy related expenses.

Security – General

MTA Bridges and Tunnels Subordinate Revenue Bonds are special obligations of MTA Bridges and Tunnels payable solely from the trust estate (described below) pledged for the payment of the MTA Bridges and Tunnels Subordinate Revenue Bonds and subordinate parity debt pursuant to the terms of the MTA Bridges and Tunnels Subordinate Resolution, after the payment of Operating Expenses and after payment of debt service as required by the MTA Bridges and Tunnels Senior Resolution.

Summaries of certain provisions of the MTA Bridges and Tunnels Subordinate Resolution, including certain defined terms used therein, have been filed with the MSRB through EMMA, all of which are incorporated by specific cross-reference herein. In addition, for convenience, copies of the summaries can be obtained on MTA's website under "MTA Home – MTA Info– Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Capitalized terms used under this caption "MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS" not otherwise defined herein have the meanings set forth in the MTA Bridges and Tunnels Subordinate Resolution, except that the term "MTA Bridges and Tunnels" is used herein in place of the definition "TBTA." So, for example, the term "MTA Bridges and Tunnels Facilities" as used herein is referred to in the MTA Bridges and Tunnels Subordinate Resolution and in the summaries thereof as "TBTA Facilities."

MTA Bridges and Tunnels Subordinate Revenue Bonds are not a debt of the State or The City of New York or any local governmental unit. MTA Bridges and Tunnels has no taxing power.

Pledge Effected by the MTA Bridges and Tunnels Subordinate Resolution

The lien on the trust estate described below created by the MTA Bridges and Tunnels Subordinate Resolution is junior and subordinate to the lien created by the MTA Bridges and Tunnels Senior Resolution.

Pursuant to, and in accordance with, the MTA Bridges and Tunnels Subordinate Resolution, MTA Bridges and Tunnels has pledged to the holders of the MTA Bridges and Tunnels Subordinate Revenue Bonds a "trust estate," which consists of:

- Revenues (after the application of those Revenues as required by the MTA Bridges and Tunnels Senior Resolution, including the payment of Operating Expenses and MTA Bridges and Tunnels Senior Resolution debt service),
- the proceeds from the sale of the MTA Bridges and Tunnels Subordinate Revenue Bonds, and

- all funds, accounts and subaccounts established by the MTA Bridges and Tunnels Subordinate Resolution (except those established pursuant to a related supplemental resolution, and excluded by such supplemental resolution from the Trust Estate as security for all MTA Bridges and Tunnels Subordinate Revenue Bonds in connection with variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt).

Revenues and Additional Subordinate MTA Bridges and Tunnels Projects

Revenues from MTA Bridges and Tunnels Facilities. MTA Bridges and Tunnels does not currently derive any significant recurring Revenues from any sources other than the MTA Bridges and Tunnels Facilities and investment income. Income from the MTA Bridges and Tunnels Transit and Commuter Project is not derived by or for the account of MTA Bridges and Tunnels; consequently, no revenues from any portion of the MTA Bridges and Tunnels Transit and Commuter Project are pledged to the payment of debt service on the MTA Bridges and Tunnels Subordinate Revenue Bonds.

For a discussion of other projects that MTA Bridges and Tunnels is authorized to undertake, see "TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY – Authorized Projects of MTA Bridges and Tunnels."

Additional Subordinate MTA Bridges and Tunnels Projects. One or more projects owned or to be owned by MTA Bridges and Tunnels or another Related Entity may become an Additional Subordinate MTA Bridges and Tunnels Project without satisfying any earnings or coverage test if MTA Bridges and Tunnels is authorized to undertake that project, and the project is designated by MTA Bridges and Tunnels to be an Additional Subordinate MTA Bridges and Tunnels Project.

Upon satisfaction of certain conditions, MTA Bridges and Tunnels is authorized to issue Subordinate Revenue Bonds to fund the Capital Costs of Additional Subordinate MTA Bridges and Tunnels Projects. See "—Additional Subordinate Revenue Bonds" below.

Flow of Revenues

The MTA Bridges and Tunnels Subordinate Resolution establishes the following funds and accounts, each held by MTA Bridges and Tunnels:

- Proceeds Fund, and
- Debt Service Fund.

MTA Bridges and Tunnels is required to transfer to the Debt Service Fund under the MTA Bridges and Tunnels Subordinate Resolution, from time to time, but no less frequently than on or before the 25th day of each calendar month, from amounts as shall from time to time be available for transfer from the Revenue Fund under the MTA Bridges and Tunnels Senior Resolution, free and clear of the lien of the MTA Bridges and Tunnels Senior Resolution, the amount, if any, required so that the balance in the fund is equal to Accrued Debt Service to the last day of the current calendar month; provided, however, that in no event shall the amount to be so transferred be less than the amount required for all payment dates occurring prior to the 25th day of the next succeeding calendar month.

Rate Covenant

MTA Bridges and Tunnels is required at all times to establish, levy, maintain and collect, or cause to be established, levied, maintained and collected, such tolls, rentals and other charges in connection with the MTA Bridges and Tunnels Facilities as shall always be sufficient, together with other money available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidences of indebtedness of MTA Bridges and Tunnels that will be used to pay the principal of Obligations issued in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of MTA Bridges and Tunnels Facilities), to equal or exceed in each calendar year the greater of:

- an amount equal to the sum of amounts necessary in that calendar year

  - to pay all Operating Expenses of MTA Bridges and Tunnels, plus
  - to pay Calculated Debt Service on all senior lien and subordinate lien bonds and parity debt, plus
  - to maintain any reserve established by MTA Bridges and Tunnels pursuant to the MTA Bridges and Tunnels Senior Resolution, in such amount as may be determined from time to time by MTA Bridges and Tunnels in its judgment, or

- an amount such that Revenues less Operating Expenses shall equal at least 1.10 times Calculated Debt Service on all senior lien and subordinate lien bonds and parity debt for such calendar year.

For a more complete description of the rate covenant and a description of the minimum tolls that can be charged at the MTA Bridges and Tunnels Facilities, see "SUMMARY OF CERTAIN PROVISIONS OF THE TBTA RESOLUTION – Rates and Fees" and "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE REVENUE RESOLUTION — Additional Provisions Relating to the Series 2002D and Series 2002E Bonds—*Rate Covenant*" in the summaries of documents.

Additional Subordinate Revenue Bonds

Under the provisions of the MTA Bridges and Tunnels Subordinate Resolution, MTA Bridges and Tunnels may issue one or more series of Additional Subordinate Revenue Bonds to pay or provide for the payment of all or part of Capital Costs relating to any of the following purposes:

- MTA Bridges and Tunnels Facilities,
- MTA Bridges and Tunnels Transit and Commuter Project, or
- any Additional Subordinate MTA Bridges and Tunnels Project.

In addition to meeting certain other conditions, all as more fully described in "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE REVENUE RESOLUTION – Special Provisions for Capital Cost Obligations" in the summaries of documents, an Authorized Officer must certify that the historical Twelve Month Period Net Revenues are at least equal to 1.10 times the Combined Maximum Annual Calculated Debt Service for all MTA Bridges and Tunnels Subordinate Revenue Obligations, subordinate parity debt, MTA Bridges and Tunnels Senior Obligations and senior parity debt.

In addition, MTA Bridges and Tunnels covenants that, prior to the issuance of MTA Bridges and Tunnels Senior Revenue Bonds, an Authorized Officer must certify that the historical Twelve Month Period Net Revenues are at least equal to 1.10 times the Combined Maximum Annual Calculated Debt Service for all MTA Bridges and Tunnels Subordinate Revenue Obligations, subordinate parity debt, MTA Bridges and Tunnels Senior Obligations and senior parity debt. See "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE REVENUE RESOLUTION —Additional Provisions Relating to the Series 2002D and Series 2002E Bonds—*Covenant Regarding Senior Resolution*" in the summaries of documents.

Refunding Subordinate Revenue Bonds

MTA Bridges and Tunnels Subordinate Revenue Bonds may be issued for the purpose of refunding MTA Bridges and Tunnels Subordinate Revenue Bonds, subordinate parity debt, MTA Bridges and Tunnels Senior Revenue Bonds or senior parity debt if:

- the Combined Maximum Annual Calculated Debt Service (including the refunding MTA Bridges and Tunnels Subordinate Revenue Bonds then proposed to be issued, but not including the MTA Bridges and Tunnels Subordinate Revenue Bonds, subordinate parity debt, MTA Bridges and Tunnels Senior Revenue Bonds or senior parity debt to be refunded) is equal to or less than the Combined Maximum Annual Calculated Debt Service as calculated immediately prior to the refunding (including the refunded MTA Bridges and Tunnels Subordinate Revenue Bonds, subordinate parity debt, MTA Bridges and Tunnels

Senior Revenue Bonds or senior parity debt, but not including the refunding MTA Bridges and Tunnels Subordinate Revenue Bonds), or

- the conditions referred to above under "— Additional Subordinate Revenue Bonds" are satisfied.

For a more complete description of the conditions that must be satisfied before issuing refunding MTA Bridges and Tunnels Subordinate Revenue Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTION – Refunding Subordinate Revenue Obligations" in the summaries of documents.

Subordinate Parity Debt

MTA Bridges and Tunnels may incur subordinate parity debt pursuant to the terms of the MTA Bridges and Tunnels Subordinate 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 MTA Bridges and Tunnels Subordinate Resolution with respect to MTA Bridges and Tunnels Subordinate Revenue Bonds. Such subordinate 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 Bridges and Tunnels designated as constituting "Parity Debt" under the MTA Bridges and Tunnels Subordinate Resolution in a certificate of an Authorized Officer delivered to the Trustee.

DEDICATED TAX FUND BONDS

There are $5,266,010,000 aggregate principal amount of outstanding Dedicated Tax Fund Bonds as of April 30, 2013. The following **DTF Table 1** sets forth, on a cash basis, the debt service thereon as of April 30, 2013.

DTF Table 1 – Aggregate Debt Service
(in thousands)

Year Ending March 31	Aggregate Debt Service(1)(2)(3)(4)
2014	$ 395,566
2015	392,167
2016	380,370
2017	380,331
2018	384,821
2019	382,724
2020	378,159
2021	378,082
2022	377,129
2023	376,881
2024	376,819
2025	375,855
2026	375,500
2027	375,038
2028	363,895
2029	373,269
2030	371,938
2031	371,084
2032	370,526
2033	369,364
2034	382,996
2035	215,063
2036	157,685
2037	134,966
2038	358,739
2039	340,401
2040	322,070
2041	36,049
Total	$9,497,489

(1) Total may not add due to rounding.
(2) Based on the State's fiscal year ending March 31.
(3) Includes the following assumptions for debt service: variable rate bonds at an assumed rate of 4.0%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4.0% otherwise; floating rate notes at the applicable synthetic fixed rate plus the current fixed spread to maturity for the swapped portion and 4.0% plus the current fixed spread to maturity for the portion that is not swapped. MTA believes that its 4.0% variable rate assumption is reasonable for long term cost calculations.
(4) Debt service has not been reduced to reflect the expected receipt of Build America Bonds interest credit payments relating to certain outstanding bonds; such credit payments do not constitute Pledged Revenues under the Dedicated Tax Fund Resolution.

Sources of Payment – Revenues from Dedicated Taxes

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.

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 Legislature established a State fund, called the Dedicated Tax Funds Pool, from which money is apportioned by statutory allocation under current 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 Dedicated Funds Pool, of which 34% is allocated to the MTTF for the benefit of MTA:

- A business privilege tax imposed on petroleum businesses operating in the State (the "PBT Taxes"), consisting of: a basic tax that varies based on product type; a supplemental tax on gasoline and highway diesel, and a carrier tax. Currently, 80.3% of net PBT receipts from the basic tax and all of the supplemental tax and the carrier tax are deposited in the Dedicated Funds Pool.

- Motor fuel taxes on gasoline (50%) and diesel fuel (100%) are deposited in the Dedicated Funds Pool.

- Certain motor vehicle fees administered by the State Department of Motor Vehicles, including both registration and non-registration fees. In addition, $169.4 million of non-dedicated Motor Vehicle Fees are deposited in the Dedicated Funds Pool.

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

A more detailed description of the MTTF Receipts is set forth below under the following headings below:

- 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. Over time, the ongoing needs of State mass transportation systems led the State to supplement the general operating subsidies with additional operating subsidies supported by special State taxes.

Starting in 1980, in response to anticipated operating deficits of State mass transit systems, the 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 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 72% of the moneys deposited into the MMTOA Account, with the remaining 28% available to other transportation properties within the MTA Commuter Transportation District, such as MTA Bus, 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:

- <u>MMTOA PBT</u>. 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, 10.835% of the PBT Basic Tax collections are deposited in the MMTOA Account.

- <u>District Sales Tax</u>. The District Sales Tax consists of a 0.375% 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) —

  - an annual franchise tax based on the amount of the taxpayer's issued capital stock, and
  - an annual franchise tax on the taxpayer's gross earnings from all sources calculated to have been generated statewide pursuant to statutory formulae.

- Temporary Franchise Surcharge. 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 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.

The MTA receives the equivalent of four quarters of MMTOA Receipts each year, with the first quarter of each succeeding calendar year's receipts advanced into the fourth quarter of the preceding year. This results in little or no MMTOA Receipts being received during the first quarter of each calendar year; MTA is required to make other provisions to provide for cash liquidity during this period.

A more detailed description of the MMTOA Taxes is set forth below under the heading "– MMTOA Account – Special Tax Supported Operating Subsidies."

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

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

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.

Table 2
Summary of MTTF Receipts and MMTOA Receipts
State Fiscal Year Ending March 31 ($ millions)

Dedicated Taxes ($ millions)	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Estimate[8] 2013
MTTF					
PBT	$ 331.1	$ 330.6	$ 327.0	$ 330.1	$ 343.7
Motor Fuel Tax	97.1	97.2	99.6	96.7	95.3
Motor Vehicle Fees	167.1	176.0	178.3	179.3	174.5
Total Available MTTF Taxes[1]	$ 595.3	$ 603.8	$ 604.9	$ 599.8	$ 613.5
MTTF Receipts[2]	$ 601.6	$ 627.6	$ 602.3	$ 620.3	$ 607.2
MMTOA					
PBT	$ 73.1	$ 72.2	$ 70.7	$ 71.0	$ 67.4
District Sales Tax	711.2	656.5	756.0	749.5	755.0
Franchise Taxes	71.8	78.6	65.6	53.1	37.0[9]
Temporary Franchise Surcharges	851.8	885.7	827.7	951.5	949.0
Total Available MMTOA Taxes[3]	$1,707.9	$1,693.0	$1,720.0	$1,783.0	$1,808.4
MMTOA Receipts[4]	$1,651.3	$1,249.8	$1,344.7[5]	$1,243.0[6]	$1,343.5
Total Pledged Revenues (MTTF Receipts plus MMTOA Receipts)	$2,252.9	$1,877.4	$1,947.0[5]	$1,863.3[6]	$1,950.7
Debt Service[7]	$ 234.5	$ 296.0	$ 343.8	$ 355.8	$ 357.4
Debt Service Coverage Ratio – MTTF Receipts Only	2.57x	2.12x	1.75x	1.75x	1.70x
Debt Service Coverage Ratio – MTTF Receipts plus MMTOA Receipts	9.61x	6.34x	5.66x	5.25x	5.46x

(1) Represents the amount of MTTF taxes collected by the State that was deposited into the MTTF.

(2) Represents the amount in the MTTF that was, subject to appropriation, paid to MTA by deposit into the MTA Dedicated Tax Fund, thereby becoming MTTF Receipts. The amount of MTTF Receipts in any State fiscal year 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.

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

(4) Represents the amount in the MMTOA Account that was, subject to appropriation, requested by, and paid to, MTA for deposit into the MTA Dedicated Tax Fund, thereby becoming MMTOA Receipts. The 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" in Part 2.

(5) MMTOA appropriations for MTA for State Fiscal Year ("SFY") 2010-11 amounted to $1,269.8 million, but an additional $30 million was paid to MTA utilizing existing supplemental MMTOA reappropriations and $44.9 million was rolled from SFY 2009-2010 into SFY 2010-2011. These additional payments brought the total MMTOA Receipts to $1,344.7 million.

(6) MMTOA appropriations for MTA for SFY 2011-2012 amounted to $1,232.3 million, but an additional $10.7 million was paid to MTA utilizing existing supplemental MMTOA reappropriations. This payment brought the total MMTOA receipts to $1,243 million.

(7) Net of $10.4 million and $25.1 million of Build America Bond credit interest payments in SFY 2009-2010 and 2010-2011, and $28.4 million each in SFY 2011-2012 and 2012-2013.

(8) The 2013 estimate is based on the Executive Budget – 30 Day Amendments forecast.

(9) Effective SFY 2012-2013, the distribution to MMTOA was changed from 80% to 54% of the taxes collected from Franchise Taxes. The remaining 26% is distributed to the Public Transportation Systems Operating Assistance (PTOA) Fund. This distribution is in effect through March 31, 2018.

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 Legislature for such purpose and the availability of moneys to fund such appropriations. The Legislature is not obligated to make appropriations to fund the MTA Dedicated Tax Fund, and there can be no assurance that the 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.

In connection with the financing of future capital programs, MTA may propose 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 different factors, two of which are as follows:

- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made. However, in the case of the PBT that is deposited as a portion of the MTTF Receipts, the Legislature has expressed its intent in the State Finance Law to enact for each State fiscal year an appropriation for the current and the next year. See the heading "—Appropriation by the Legislature" below.

- The State is not bound or obligated to continue to pay operating subsidies to the Transit or Commuter System or to continue to impose any of the taxes currently funding those subsidies.

Security – General

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 Dedicated Tax Fund Bonds may not be accelerated in the event of a default.

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, including certain defined terms used therein, have been filed with the MSRB through EMMA, all of which are incorporated by specific cross-reference herein. In addition, for convenience, copies of the summaries can be obtained on MTA's website under "MTA Home – MTA Info – Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Capitalized terms used under this caption "DEDICATED TAX FUND BONDS" not otherwise defined herein have the meanings set forth in the DTF Resolution.

Pledge Effected by the DTF Resolution

Trust Estate. The DTF Resolution provides that there are pledged to the payment of principal and redemption premium of, interest on, and sinking fund installments for, the Dedicated Tax Fund 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 Dedicated Tax Fund 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 Dedicated Tax Fund Bonds, in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

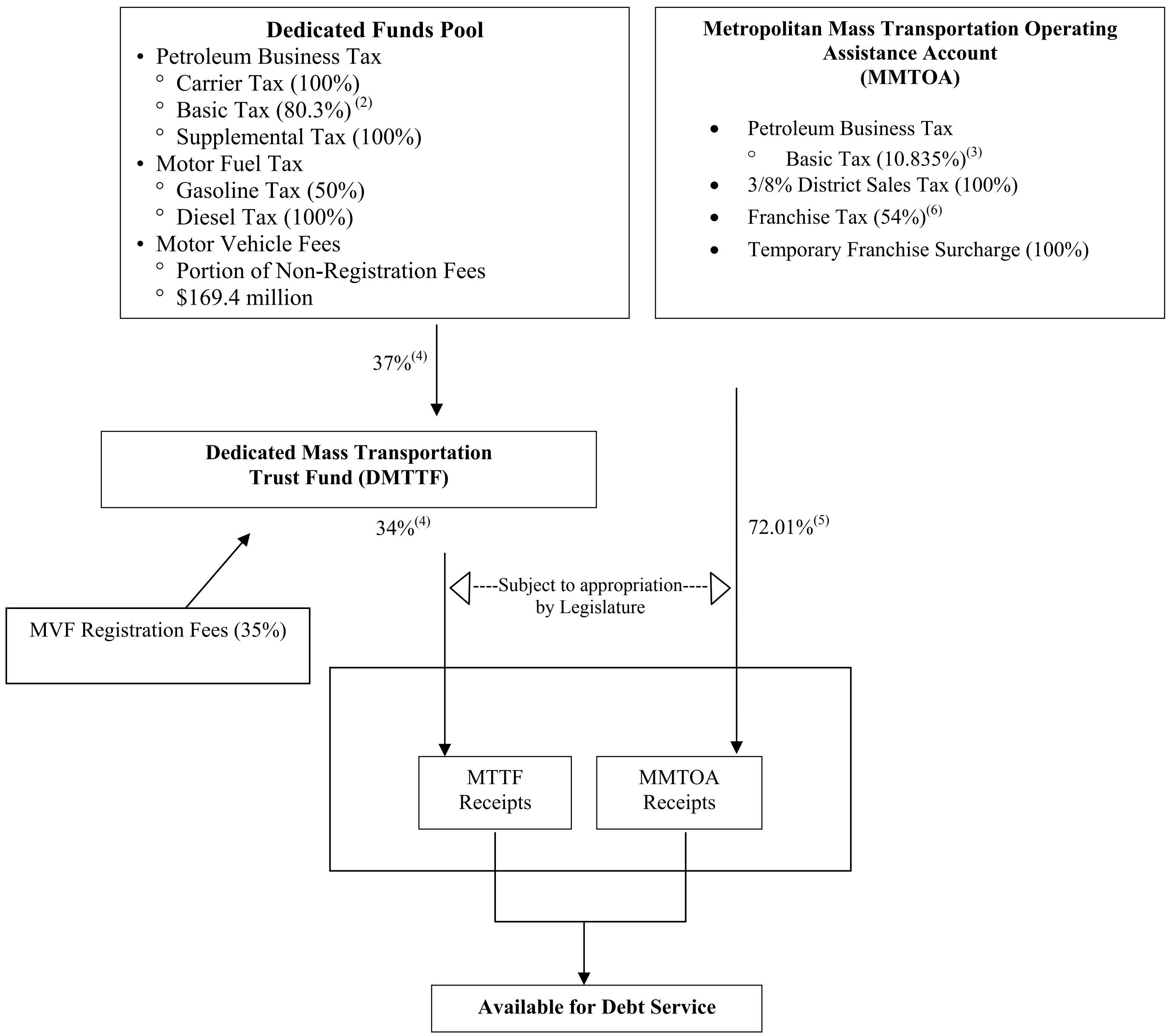
The DTF Resolution provides that the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the DTF Resolution, and all corporate action on the part of MTA to that end has been duly and 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 the summaries of documents 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, 2013[1])



Notes

(1) Parenthetical amounts and percentages, as well as flow of fund percentages, indicate the amount or percent of that tax or fund deposited for the year ending March 31, 2013 in the respective fund or account. The allocations shown may be changed at any time by the Legislature.

(2) In addition, the first $7.5 million of the Basic Tax is appropriated to the Dedicated Funds Pool prior to any percentage split of the Dedicated Funds Pool.

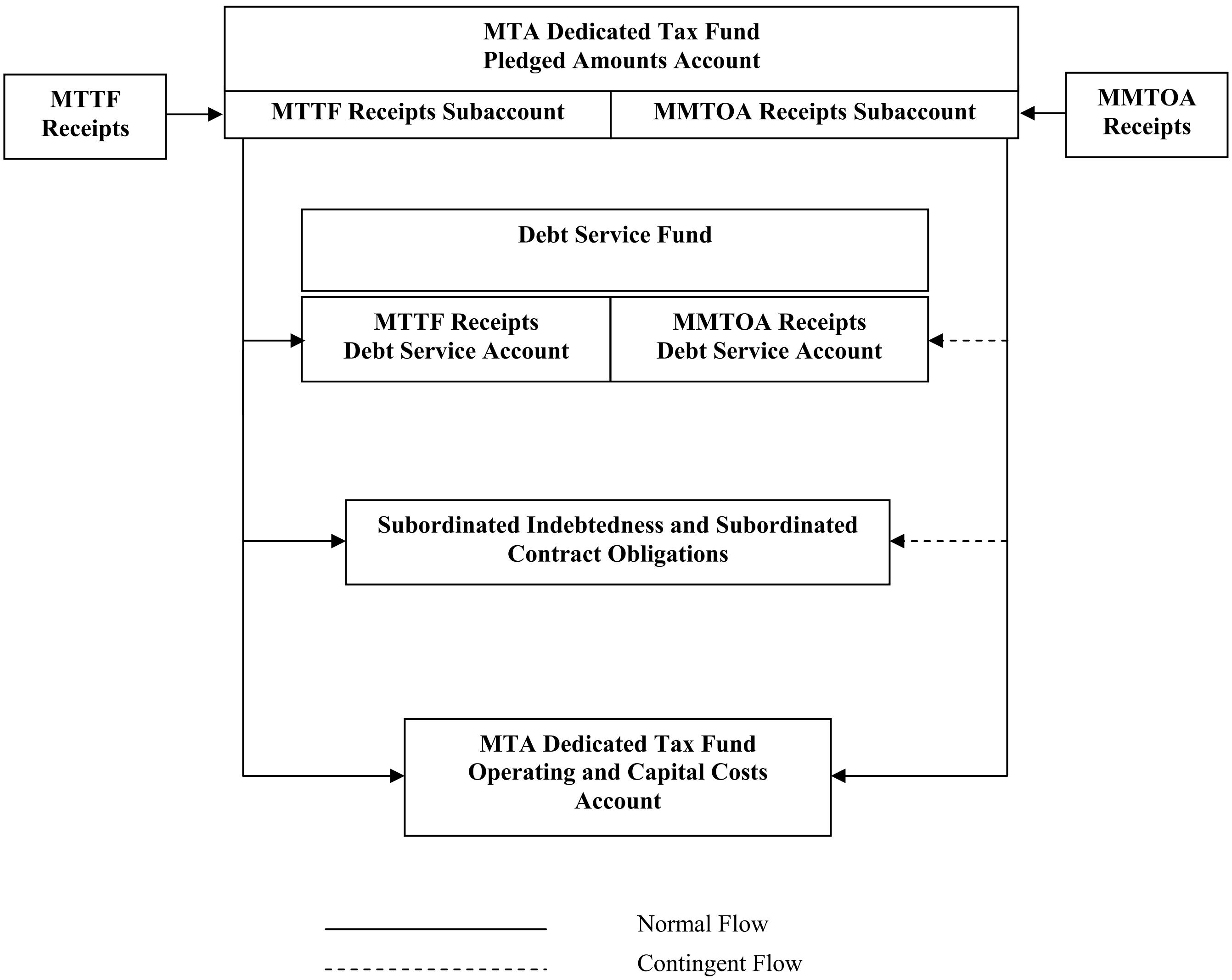
(3) The remaining 8.865% share of the Basic Tax is deposited in an account for certain upstate transportation entities.

(4) Percentage of Dedicated Funds Pool.

(5) Percentage based upon appropriations in the Enacted Budget for State Fiscal Year 2012-2013.

(6) Effective through March 1, 2018.

MTA DEDICATED TAX FUND BONDS – RESOLUTION FLOW OF FUNDS



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

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

Debt Service Fund

Pursuant to the DTF Resolution, the Trustee holds the Debt Service Fund, consisting of the MTTF Receipts DS Account and the MMTOA Receipts DS Account. Moneys in the Debt Service Fund are applied by the Trustee to the payment of Debt Service on the Dedicated Tax Fund 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" in the summaries of documents.

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

Covenants

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

Under the DTF Resolution, MTA may issue one or more Series of Dedicated Tax Fund 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 Dedicated Tax Fund 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" in the summaries of documents 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 Dedicated Tax Fund Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE DTF RESOLUTION—Special Provisions for Refunding Obligations" in the summaries of documents.

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 Dedicated Tax Fund 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 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 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 Legislature may not be bound in advance to make any appropriation, and there can be no assurances that the Legislature will appropriate the necessary funds as anticipated. MTA expects that the Legislature will make appropriations from amounts on deposit in the MTTF and MMTOA Account in order to make payments when due. 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.

The 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 Legislature fails to enact a current year appropriation from the MTTF (with respect to the PBT portion) to the MTA Dedicated Tax Fund, or such appropriation has been delayed, 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 State 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.

The adopted State budget for 2013-2014 included two appropriations from the MTTF to the MTA Dedicated Tax Fund. One such appropriation is for the State Fiscal Year that ends March 31, 2014 and the other such appropriation is for the succeeding State Fiscal Year that ends March 31, 2015. 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 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 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 MTA, including the Dedicated Tax Fund Bonds, that the State will not limit or alter the rights vested in the MTA to fulfill the terms of any agreements made by MTA with the holders of its notes, bonds and lease obligations, including the Dedicated Tax Fund 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.

MTTF Receipts – Dedicated Petroleum Business Tax

General. The PBT is the business privilege tax, which includes both a base tax and a supplemental tax, imposed on petroleum businesses operating in the State. The base of the PBT is the quantity of various petroleum products refined or sold in the State or imported into the State for sale or use therein.

Tax Rates. The basic and supplemental PBT tax rates are subject to separately computed annual adjustments on January 1 of each year, to reflect the change in the Producer Price Index ("PPI") for refined petroleum products for the 12 months ended August 31 of the immediately preceding year. The tax rates, therefore, increase as prices rise and decrease as prices fall. Current legislation provides that the PBT rates will be adjusted annually subject to a maximum change of plus or minus 5% of the current rate in any year. In addition to the 5% cap on rate changes, the statute also requires basic and supplemental rates to be rounded to the nearest tenth of one cent. Subsequent legislation provided that diesel rates be rounded to the nearest hundredth of one cent. As a result, the tax rates usually do not change by the full 5% allowed under the statutory formula.

The table below shows the changes in the PPI for refined petroleum products and the capped PBT index change over the last nine years.

Petroleum Business Tax Index Change (percent)

Year for PPI Change (September 1 to August 31)	PPI for Refined Petroleum Products Change	Year for PBT Index	PBT Index Change (January 1)
2003-04	12.9	2005	5.0
2004-05	35.1	2006	5.0
2005-06	35.9	2007	5.0
2006-07	-1.2	2008	-1.2
2007-08	42.1	2009	5.0
2008-09	-34.9	2010	-5.0
2009-10	18.6	2011	5.0
2010-11	29.8	2012	5.0
2011-12	9.2	2013	5.0

Source: New York State Division of the Budget.

The table below shows the rates per gallon for the PBT in effect for 2011, 2012 and 2013, respectively.

PETROLEUM BUSINESS TAX RATES FOR 2011, 2012 and 2013(1)
(cents per gallon)

	2011			2012			2013		
Petroleum Product	Base	Supp	Total[1]	Base	Supp	Total[1]	Base	Supp	Total[1]
Automotive fuel									
Gasoline & other non-diesel	10.2	6.8	**17.0**	10.7	7.1	**17.8**	11.2	7.4	**18.6**
Diesel	10.2	5.05	**15.25**	10.7	5.30	**16.00**	11.20	5.65	**16.85**
Aviation gasoline or Kero-Jet fuel	6.8	0.0	**6.8**	7.1	0.0	**7.1**	7.4	0.0	**7.4**
Non-automotive diesel fuels									
Commercial gallonage	9.3	0.0	**9.3**	9.7	0.0	**9.7**	10.1	0.0	**10.1**
Nonresidential heating	5.0	0.0	**5.0**	5.2	0.0	**5.2**	5.5	0.0	**5.5**
Residual petroleum products									
Commercial gallonage	7.1	0.0	**7.1**	7.4	0.0	**7.4**	7.7	0.0	**7.7**
Nonresidential heating	3.8	0.0	**3.8**	3.9	0.0	**3.9**	4.2	0.0	**4.2**
Railroad diesel fuel	8.9	0.0	**8.9**	9.4	0.0	**9.4**	9.9	0.0	**9.9**

(1) The Tax Rates are the net tax rate after credits.

Tax Base. Generally, transactions that are excluded from the basic PBT base are also excluded from the supplemental tax base. Exemptions include sales for export from the State, sales of fuel oil for residential heating purposes and manufacturing use, and sales to government entities when such entities buy petroleum for their own use. Sales of kerosene (other than kero-jet fuel) and liquefied petroleum gas and sales of residual fuel oil used as bunker fuel also are exempted. Regulated electric utilities that use petroleum to generate electricity obtain credits or reimbursements to offset a portion of the basic tax. These utilities receive no credit or reimbursement with respect to the supplemental tax.

The State also imposes a petroleum business carrier tax under the PBT on fuel purchased by motor carriers outside the State but consumed within the State. The carrier tax rates are the same as the PBT automotive gasoline and diesel rates listed above.

Legislative Changes. The Legislature has, from time to time, changed the percentage of the PBT basic tax which is available for distribution to the Dedicated Funds Pool. The percentage of the Dedicated Funds Pool which is, subject to appropriation, deposited in the MTA Dedicated Tax Fund has remained constant at 34%. The changes in the percentage of the PBT basic tax which is available for distribution to the Dedicated Funds Pool have been designed to be, and were, revenue neutral to the Dedicated Funds Pool.

Legislation enacted in 1996, effective January 1, 1998, expanded the partial exemption provided for residual and distillate fuels used in manufacturing to a full exemption. In addition, such legislation provided: (i) rate reductions for diesel motor fuel used by motor vehicles, phased in on January 1, 1998 and April 1, 1999; (ii) a full exemption from the supplemental tax imposed on residual and distillate fuels used by the commercial sector for heating, effective March 1, 1997; (iii) a partial reduction in the basic tax and a full exemption from the supplemental tax imposed on diesel motor fuel used by railroads, effective January 1, 1997; and (iv) an increase in the credit against the basic tax for residual and distillate fuels used by utilities, effective April 1, 1999. Where applicable, the new rate structure maintains indexing by allowing the rates to be adjusted by the index and then subsequently reducing such rate, or increasing such credit, by fixed cents per gallon rate. To preserve dedicated funds revenue flows, the 1996 legislation also increased the share of the basic tax going to the Dedicated Funds Pool from 63.3% to 66.2%, effective January 1, 1997; from 66.2% to 68.1%, effective January 1, 1998; and from 68.1% to 69.8%, effective April 1, 1999.

Legislation enacted in 1999 reduced the PBT rate on commercial heating oil by 20% and provided for reimbursement of PBT tax imposed on fuels used for mining and extraction, effective April 1, 2001. To preserve dedicated funds revenue flows, the 1999 legislation increased the share of the basic tax going to the Dedicated Funds Pool from 69.8% to 70.5%, effective April 1, 2001. Like the aforementioned changes made in 1996, these changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation adopted with the 2000-2001 State Enacted Budget eliminated the PBT minimum taxes, effective March 1, 2001, and reduced the PBT rate on commercial heating oil by 33%, effective September 1, 2002. To save the Dedicated Funds Pool harmless from these tax cuts, the legislation earmarked certain motor vehicle registration fees to the Dedicated Funds Pool (see "MTTF Receipts – Motor Vehicle Fees" below). Legislation adopted with the 2000-2001 State Enacted Budget and effective April 1, 2001, also increased revenues flowing to the Dedicated Funds Pool by earmarking $7.5 million of the PBT basic tax, which had been directed to the State General Fund, to the Dedicated Funds Pool; increasing the percentage of the remaining basic tax receipts earmarked to the Dedicated Tax Funds Pool from 70.5% to 80.3%; and depositing receipts from the PBT carrier tax to the Dedicated Tax Funds Pool.

Legislation enacted in 2004 eliminated the PBT on fuels used for aircraft overflight and landing, effective November 1, 2004, and exempted fuel burned on takeoff by airlines operating non-stop flights between at least four cities in the State. The financial impact to the MTTF and MMTOA funds is minimal.

Legislation adopted with the 2005-2006 State Enacted Budget required the collection of PBT on sales to non-Native Americans on New York reservations.

Legislation adopted with the 2006-2007 State Enacted Budget exempted or partially exempted PBT on certain alternative fuels. The financial impact to the MTTF and MMTOA funds is minimal.

Legislation adopted with the 2011-2012 State Enacted Budget modernized motor fuel, diesel motor fuel and E-85 product definitions to reflect changes in the fuels marketplace that have rendered the current law definitions unworkable. There is no financial impact to the funds.

Legislation adopted with the 2012-2013 State Enacted Budget reimburses volunteer fire departments and ambulances for PBT paid on motor fuel purchases and also imposes the PBT on diesel fuel at removal from a terminal below the rack effective August 1, 2013. The financial impact to the MTTF and MMTOA is minimal.

Tax Imposition and Payment. Imposition of the tax occurs at different points in the distribution chain, depending upon the type of product. The tax is imposed on motor fuels at the same time as the eight-cent-per-gallon motor fuel tax. Gasoline, which represents the preponderance of automotive fuel sales in the State, is taxed upon importation into the State for sale or upon manufacture in the State. Other non-diesel automotive fuels such as compressed natural gas, methanol and ethanol become subject to the tax on their first sale as motor fuel in the State. Automotive diesel motor fuel is taxed when it leaves a fuel terminal below the rack, effective August 1, 2013. Nonautomotive diesel fuel (such as No. 2 fuel oil used for commercial heating) and residual fuel usually become taxable on the sale to the consumer or upon use of the product in the State.

Most petroleum businesses remit this tax on a monthly basis. Taxpayers with yearly motor fuel tax and PBT liability totaling more than $5 million now remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. The Department of Taxation and Finance advises that, in State Fiscal Year 2011–2012, 35 taxpayers, accounting for 93% of all PBT receipts, participated in the electronic funds transfer program.

Historical Summary of PBT Revenue.

The following table provides historical information for the last ten years on the basic PBT and the supplemental PBT, the major funding source for the MTTF.

Basic and Supplemental PBT Collections
(in millions)

State Fiscal Year	Basic PBT	Supplemental PBT	State Fiscal Year	Basic PBT	Supplemental PBT
2003-04	$674.2	$358.3	2008-09	$682.5	$403.5
2004-05	692.3	370.9	2009-10	674.1	411.0
2005-06	735.0	389.3	2010-11	660.4	412.8
2006-07	676.2	391.9	2011-12	661.3	419.1
2007-08	709.0	423.2	2012-13*	682.4	423.4

*Estimate
Source: New York State Department of Taxation and Finance.

Receipts for State Fiscal Year 2003-2004 reflect the 5% decline in PBT rates effective January 1, 2003, and the 5% increase effective January 1, 2004. Receipts from residual fuels used by utilities increased due to the decrease in the relative price of residual fuel oil compared to natural gas. Collections also include $19.9 million from the carrier tax.

Receipts for State Fiscal Year 2004-2005 reflect the 5% increase in PBT rates effective January 1, 2004 and another 5% increase effective January 1, 2005. Collections also include $21.9 million from the carrier tax.

Receipts for State Fiscal Year 2005-2006 reflect the impact from the higher fuel price on fuel consumption. Collections also reflect the 5% increase in PBT rates effective January 1, 2005 and another 5% increase effective January 1, 2006. Collections also include $21.6 million from the carrier tax.

Receipts for State Fiscal Year 2006-2007 reflect the 5% increase in PBT rates effective January 1, 2006 and the 5% increase effective January 1, 2007. Collections also include $22.2 million from the carrier tax.

Receipts for State Fiscal Year 2007-2008 reflect the 5% increase on January 1, 2007 and the 1.2% decrease in PBT rates effective January 1, 2008. Collections also include $23.1 million from the carrier tax.

Receipts for State Fiscal Year 2008-2009 reflect the 1.2% decrease in PBT rates effective January 1, 2008 and a 5% increase on January 1, 2009. Collections also include $20.6 million from the carrier tax.

Receipts for State Fiscal Year 2009-2010 reflect the 5% increase in PBT rates effective January 1, 2009, offset slightly by the 5% decrease on January 1, 2010. Collections also include $18.4 million from the carrier tax.

Receipts for State Fiscal Year 2010-2011 reflect the 5% decrease in PBT rates effective January 1, 2010, offset slightly by the 5% increase on January 1, 2011. Collections also include $17.1 million from the carrier tax.

Receipts for State Fiscal Year 2011-2012 reflect the 5% increases in PBT rates effective January 1, 2011 and January 1, 2012, offset by a decline in taxable gallonage. Collections also include $19.2 million from the carrier tax.

Receipts for State Fiscal Year 2012-2013 reflect the 5% increases in PBT rates effective January 1, 2012 and January 1, 2013, offset by a decline in taxable gallonage. Collections also include an estimated $19.2 million from the carrier tax.

Actual Revenues from Dedicated PBT. Receipts from the dedicated PBT for the last ten years are as set forth in the following table:

MTTF Revenues from Petroleum Business Taxes
(in millions)

State Fiscal Year	Dedicated Funds Pool	MTTF Total(1)	Related Entities' Share of MTTF(2)
2003-04	$ 921.1	$340.8	$313.2
2004-05	950.2	351.6	323.2
2005-06	1,002.4	370.9	340.8
2006-07	958.6	354.7	325.9
2007-08	1,017.1	376.3	345.9
2008-09	973.7	360.3	331.1
2009-10	972.3	359.8	330.6
2010-11	961.8	355.9	327.0
2011-12	970.8	359.2	330.1
2012-13*	1010.9	374.0	343.7

(1) Represents 37% of the Dedicated Funds Pool.
(2) Represents 34% of the Dedicated Funds Pool.
* Estimate
Source: New York State Division of the Budget.

MTTF Receipts – Motor Fuel Tax

General. Motor fuel and diesel motor fuel taxes ("MFT") are derived from an eight-cent-per-gallon excise tax levied with respect to gasoline and diesel motor fuels, generally for highway use. The aggregate rate of tax on gasoline was last changed on February 1, 1972, when it was increased from seven cents to eight cents per gallon. The aggregate rate of tax on diesel motor fuel was last changed on January 1, 1996, when it decreased from ten cents per gallon to eight cents per gallon.

Effective April 1, 2000, legislation enacted in 2000 earmarked 2.25 cents of the gasoline MFT and 4 cents of the diesel MFT to the Dedicated Funds Pool, of which 34% is deposited in the MTA Dedicated Tax Fund. Effective

April 1, 2001, legislation enacted in 2000 earmarked an additional 2.25 cents of the diesel MFT to the PBT Dedicated Funds Pool, of which 34% is deposited in the MTA Dedicated Tax Fund.

Effective April 1, 2003, legislation adopted with the 2000-2001 State Enacted Budget earmarked an additional 1.75 cents tax on gasoline and diesel motor fuels to the Dedicated Funds Pool.

Tax Imposition and Payment. The tax on motor fuel is payable by distributors registered with the State. The gasoline motor fuel tax is imposed when gasoline is imported (or caused to be imported) into the State for sale or use in the State, or manufactured in the State. Generally, the tax on other nondiesel motor fuels earmarked to the Dedicated Funds Pool (such as compressed natural gas, propane, methanol and ethanol) is remitted by the dealer selling them as motor fuels. The tax on diesel motor fuel is imposed on the first non-exempt sale of diesel in the State.

Most petroleum businesses remit these taxes on a monthly basis. Businesses with yearly MFT and PBT liability totaling more than $5 million remit the PBT and MFT for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. In State Fiscal Year 2011–12, 35 taxpayers, accounting for 93% of all motor fuel tax receipts, participated in the electronic funds transfer program.

Although the tax is remitted by distributors, the incidence of the tax falls primarily on final users of the fuel on the highways and waterways of the State. Governmental purchases are exempt from the tax. Fuel purchased for certain road vehicles (such as fire trucks, buses used in local transit, taxicabs and ambulances), upon which the tax has been paid, may be eligible for full or partial reimbursement of the MFT. Reimbursement of the tax is also available for fuel not used on the highways (e.g., fuel used in farming).

Actual Revenues from Dedicated Motor Fuel Taxes.

MTTF Revenues from Motor Fuel Tax
($ millions)

State Fiscal Year	MTTF Portion of Gasoline MFT	MTTF portion of Diesel MFT	MTTF Total(1)	Related Entities' Share of MTTF(2)
2003-04	$85.6	$19.5	$105.1	$ 96.6
2004-05	85.8	24.5	110.3	101.3
2005-06	85.4	25.5	110.9	101.9
2006-07	82.9	24.7	107.6	98.9
2007-08	84.0	26.3	110.3	101.3
2008-09	80.8	24.8	105.6	97.1
2009-10	81.7	24.1	105.8	97.2
2010-11	82.5	25.8	108.3	99.6
2011-12	80.3	24.9	105.3	96.7
2012-13*	79.5	24.2	103.7	95.3

(1) Represents 37% of the Dedicated Funds Pool.
(2) Represents 34% of the Dedicated Funds Pool.
* Estimate
Source: New York State Division of the Budget.

MTTF Receipts – Motor Vehicle Fees

General. Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver license fees. A percentage of State motor vehicle registration fees is earmarked to the MTA Dedicated Tax Fund. These motor vehicle fees derive from the registration of passenger vehicles, trucks, vans, motorcycles, trailers, semitrailers, buses and other types of vehicles operating on the public highways of the State.

The State Department of Motor Vehicles administers motor vehicle registration provisions of the State Vehicle and Traffic Law. County clerks in most counties act as agents for the State in administering the issuance of most types of motor vehicle registration. Motor vehicle registration renewals generally are accomplished by mail.

With the exception of buses, which are charged according to seating capacity, and semitrailers, which are registered at a flat fee, motor vehicle registration fees in the State are based on vehicle weight.

Legislation enacted in 1989 mandated biennial registration of all motor vehicles weighing less than 18,000 pounds. Thus, most motor vehicle registrations are issued and renewed for two-year periods; registrations are staggered evenly throughout the months to ensure an even workload.

In the 2009-10 State Enacted Budget, licenses and most registrations were increased by 25%. The revenues from this increase were directed to the Dedicated Highway and Bridge Trust Fund. In addition, the fee for plate issuance was increased from $15 to $25. The revenues from this increase were directed to the $169.4 million non-dedicated account.

MTTF Revenues From Motor Vehicle Fees
(in millions)

State Fiscal Year	MTTF Total(1)	Related Entities' Share of MTTF(2)
2003-04	$104.6	$ 96.1
2004-05	137.8	126.6
2005-06	162.9	150.0
2006-07	186.3	171.2
2007-08	189.0	173.6
2008-09	181.7	167.1
2009-10	191.5	176.0
2010-11(3)	201.3	178.3
2011-12	195.2	179.3
2012-13*	190.0	174.5

(1) Represents 37% of the Dedicated Funds Pool. Does not include SRF Motor Vehicle Fees.
(2) Represents 34% of the Dedicated Funds Pool. Does not include SRF Motor Vehicle Fees.
(3) In mid-2010, the Office of the State Comptroller re-classified motor vehicle fees as miscellaneous receipts. Previously, motor vehicle fees were classified in two receipt categories, user taxes and fees and miscellaneous receipts.
* Estimate
Source: New York State Division of Budget

MMTOA Account — Special Tax Supported Operating Subsidies

General. 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. Over time, the ongoing needs of State mass transportation systems led the State to supplement the general operating subsidies with additional operating subsidies supported by State special taxes.

Starting in 1980, in response to anticipated operating deficits of State mass transportation systems, the 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 MTOA Fund, to fund the operations of mass transportation systems. The MMTOA Account was established in the MTOA Fund to fund the operating expenses of transportation systems in the MTA Commuter Transportation District, including MTA New York City Transit, MaBSTOA and the commuter railroads operated by MTA. Payments from this Account are made to MTA and its affiliates periodically to the extent that: (i) appropriations are made by the Legislature, (ii) the State Director of the Budget certifies that the Account contains sufficient funds to make such payments, and (iii) State officials determine that the funds are necessary to finance operations of MTA and its affiliates and subsidiaries. Such payments are allocated among the various public transportation systems within the MTA Commuter Transportation District in accordance with schedules as specified by such appropriations. Such payments to MTA are first deposited in the Pledged Amounts Account of the MTA Dedicated Tax Fund to meet the requirements of the DTF Resolution and then any remaining amounts are transferred to the Operating and Capital Costs Account to be used to meet operating costs of the Transit System and MTA Staten Island Railway and the Commuter System.

The table below summarizes the historical amounts appropriated and paid to MTA from the MMTOA Account (including investment income) for the last ten years.

MMTOA Account
(in millions)

State Fiscal Year	Appropriations to MTA(1)	Payments to MTA(2)	State Fiscal Year	Appropriations to MTA(1)	Payments to MTA
2003-04	$ 730.9	$ 730.9	2008-09	$1,651.3	$1,651.3
2004-05	736.4	736.4	2009-10	1,249.8	1,249.8
2005-06	946.7	1,146.7(2)	2010-11	1,269.8	1,344.7(3)
2006-07	1,269.2	1,069.2(2)	2011-12	1,232.3	1,243.0(4)
2007-08	1,525.9	1,525.9	2012-13*	1,343.5	1,343.5

(1) Does not include $155.1 million appropriated to MTA in each of the State Fiscal Years 2002-2003 and 2003-2004, $164.6 million in State Fiscal Year 2004-2005, $170.2 million in each of the State Fiscal Years 2005-2006 and 2006-2007, $172.9 million in State Fiscal Year 2007-2008, and $175.1 million in State Fiscal Years 2008-2009 through 2011-2012 through the Section 18-b program.

(2) Payments to MTA in SFY 2005-2006 were in excess of the amount appropriated for that year due to the payment in that year of amounts appropriated, but not paid, in prior years. At the end of the State's 2005-2006 fiscal year, the State accelerated the payment of $200 million of MMTOA Receipts to 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 2006-2007 fiscal year be commensurately reduced.

(3) MMTOA appropriations for MTA for State Fiscal Year 2010-2011 amounted to $1,269.8 million, but an additional $30 million was paid to MTA utilizing existing supplemental MMTOA reappropriations and $44.9 million was rolled from SFY 2009-2010 into SFY 2010-2011. These additional payments brought the total MMTOA Receipts to $1,344.7 million.

(4) MMTOA appropriations for MTA for SFY 2011-2012 amounted to $1,232.3 million, but an additional $10.7 million was paid to MTA utilizing existing supplemental MMTOA reappropriations. This payment brought the total MMTOA receipts to $1,243 million.

* Estimate

Source: New York State Division of the Budget.

Although a variety of taxes have been used to fund the special tax supported operating subsidies, the taxes levied for this purpose currently include the MMTOA PBT, the District Sales Tax, the Franchise Taxes and the Temporary Franchise Surcharge (MMTOA Taxes), all described in more detail below. State law gives State officials the authority to disburse funds to MTA from the MMTOA Account to the extent such officials determine that the funds are necessary to finance operations of the Transit System and MTA Staten Island Railway and the Commuter System. Fluctuations in the economic and demographic conditions of the MTA Commuter Transportation District are directly related to the growth of economically sensitive taxes, including the District Sales Tax and the Temporary Franchise Surcharge. Therefore, there can be no assurance that such taxes will generate tax receipts at current levels. If shortfalls are experienced in the collection of MMTOA Taxes, the Commissioner of Transportation is authorized to reduce each recipient's payment from the MTOA Fund proportionately. MTA has historically received approximately 86% of such amounts deposited in the MMTOA Account. However, in 2012 a split in the transmission tax component of the MMTOA taxes between the upstate Public Transportation Systems Operating Assistance Account (PTOA) and the MMTOA account diverts 26% of the transportation and transmission taxes that were allotted previously to MMTOA to the upstate PTOA account. This split is continued as part of the 2013-2014 Enacted Budget. Note that this provision sunsets in 2018 and will have to be renewed by the Legislature if it is to continue in subsequent years.

MMTOA PBT.

General. The products that are subject to the tax, the tax rates and the transactions excluded from such tax are identical to the basic PBT as described above under "MTTF Receipts – Dedicated Petroleum Business Tax" which is dedicated to the MTTF.

The share of the PBT basic tax earmarked to the MMTOA Account was increased to 10.725% effective January 1, 1998 and to 10.835% effective April 1, 2001.

As described above in "MTTF Receipts ─ Dedicated Petroleum Business Tax," aspects relating to the imposition and collection of the MMTOA PBT have from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

Historical Summary of MMTOA PBT. The following table provides historical information relating to MMTOA PBT receipts deposited into the MMTOA Account for the last ten years.

MMTOA Petroleum Business Taxes

State Fiscal Year	Net Receipts (in millions)	State Fiscal Year	Net Receipts (in millions)
2003-04	$72.2	2008-09	$73.1
2004-05	74.2	2009-10	72.2
2005-06	78.8	2010-11	70.7
2006-07	72.5	2011-12	71.0
2007-08	76.0	2012-13*	67.4

*Estimate
Source: New York State Division of the Budget.

District Sales Tax.

General. The District Sales Tax consists of a 0.375% 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. The rate was increased from 0.25% to 0.375% on June 1, 2005.

District Sales Tax receipts have been a significant source of tax receipts deposited in the MMTOA Account. The level of District Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the MTA Commuter Transportation District, and therefore there can be no assurance that historical data with respect to collections of the District Sales Tax will be indicative of future receipts.

The base of the District Sales Tax is identical to the base of the State's 4% sales and compensating use tax. The tax now applies to (1) sales and use of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and for specified admissions and services. The base of the tax has been amended periodically by the Legislature, with changes such as the following: temporary exemptions for certain clothing and footwear in 1997, 1998 and 1999 and the first quarter of 2000; exemptions for college textbooks and certain computer system hardware in 1998; and expanded exemptions for equipment used to provide telecommunications services for sale in 1999.

Legislation enacted in 1997 and modified in 1998 and 1999 exempts clothing and footwear costing less than $110 from the State sales and use tax on a year-round basis. Legislation enacted in 2003, 2004 and 2005 suspended the year-round exemption through March 31, 2007 and temporarily replaced it with two exemption weeks annually at the same $110 threshold. Under these statutes, the District Sales Tax on such clothing and footwear is removed in those counties and cities that opt to exempt such items from local sales tax within their jurisdictions.

Clothing and footwear costing less than $110 were permanently exempted from State sales tax on April 1, 2006. Localities have an option to also offer this exemption. Pursuant to Tax Law, localities opting to remove their tax must reimburse MTA for one-half of the foregone District Sales Tax revenue, while the State will provide the other half, but these reimbursements are paid to MTA and such reimbursements are not deposited into the MMTOA.

On June 1, 2006, the State placed a cap on the amount of State sales tax collected on motor fuel and diesel motor fuel at eight cents per gallon. Localities have an option to continue to use the percentage rate method or to change to a cents-per-gallon method of computing sales tax. Pursuant to Tax Law, the State must reimburse MTA for the entire foregone District Sales Tax revenue, but these reimbursements are paid from the State General Fund to MTA and such reimbursements are not deposited into the MMTOA.

MTA is held harmless from the impact of the clothing and footwear exemption and the cap on motor fuel and diesel motor fuel. This entire held harmless amount is reflected in the following table, but such amounts are not deposited into the MMTOA.

Historical Summary of District Sales Tax. The following table provides historical information relating to District Sales Tax receipts deposited into the MMTOA Account for the last ten years.

District Sales Tax
(in millions)

State Fiscal Year	Net Receipts	Held Harmless Amount[1]	Total	State Fiscal Year	Net Receipts	Held Harmless Amount[1]	Total
2003-04	$399.3	$ 7.9	$389.0	2008-09	$711.2	$47.0[5]	$758.2
2004-05	428.9	2.8	407.2	2009-10	656.5	41.1[6]	697.6
2005-06[2]	604.1	2.5	431.7	2010-11	756.0[7]	32.2[8]	794.2
2006-07	688.1	27.8[3]	605.6	2011-12	749.5	59.0[9]	808.5
2007-08	705.4	41.8[4]	747.2	2012-13*	755.0	57.0[10]	812.0

(1) This amount includes moneys paid by both the State and the localities. Such amounts are not deposited into the MMTOA.
(2) The regional sales tax was increased from 0.25% to 0.375% effective June 1, 2005.
(3) Includes $24.4 million from the State and localities for the clothing exemption and $3.4 million from the State for the cap on motor fuel and diesel fuel.
(4) Includes $32.3 million from the State and localities for the clothing exemption and $9.5 million from the State for the cap on motor fuel and diesel fuel.
(5) Includes $35 million from the State and localities for the clothing exemption and $12 million from the State for the cap on motor fuel and diesel fuel.
(6) Includes $35.8 million from the State and localities for the clothing exemption and $5.3 million from the State for the cap on motor fuel and diesel fuel.
(7) The March closeout number was increased to $44.1 million (In comparison, March 2010 was $5.1 million).
(8) Includes $23.2 million from the State and localities for the clothing exemption and $9 million from the State for the cap on motor fuel and diesel fuel. The State eliminated the sales tax exemption on clothing and footwear costing less than $110 from October 1, 2010 to March 31, 2011.
(9) Includes $41.8 million from the State and localities for the clothing exemption and $17.2 million from the State for the cap on motor fuel and diesel fuel. The State had a sales tax exemption on clothing and footwear costing less than $55 from April 1, 2011 to March 31, 2012.
(10) Includes an estimated $40 million from the State and localities for the clothing exemption and $17 million from the State for the cap on motor fuel and diesel fuel. The State had a sales tax exemption on clothing and footwear costing less than $55 from April 1, 2011 to March 31, 2012.
* Estimate
Source: New York State Division of the Budget and New York State Department of Taxation and Finance.

Franchise Taxes

General. A legislatively allocated portion of two taxes imposed on certain transportation and transmission companies (such as trucking, telegraph and local telephone companies), consisting of (a) an annual franchise tax based on the amount of the taxpayer's issued capital stock, and (b) an annual franchise tax on the taxpayer's gross earnings from all sources calculated to be in the State pursuant to statutory formulae are deposited in the MMTOA Account.

The percentage of moneys required to be deposited in the MMTOA Account increased to 64% in 2000, and to 80% thereafter. These changes were made to preserve the dedicated funds revenue flow subsequent to changes enacted in prior years reducing the base of the gross earnings tax and/or reducing the tax rates.

Historical Summary of the Franchise Taxes. The following table provides historical information relating to the portion of Franchise Tax receipts deposited into the MMTOA Account for the last ten years. A one-time election to remain under the taxes imposed on trucking and railroad companies was enacted in 1996 for elections made before March 15, 1998. Companies not electing to remain under Sections 183 and 184 were taxed under the general corporate franchise tax. As part of the same legislation, the Section 184 rate was reduced from 0.75% to 0.6% on gross earnings. The MMTOA revenue distribution was held harmless. Additional rate reductions occurred beginning in 1998 that do not affect MMTOA. Effective SFY 2012-2013, the distribution to MMTOA was changed from 80% to 54% of the taxes collected from sections 183 and 184. The remaining 26% is distributed to the Public Transportation Systems Operating Assistance (PTOA) Fund. This distribution is in effect through March 31, 2018.

Franchise Taxes
(in millions)

State Fiscal Year	Net Receipts	State Fiscal Year	Net Receipts
2003-04	$57.4	2008-09	$71.8
2004-05	64.5	2009-10	78.6
2005-06	73.9	2010-11	65.6
2006-07	68.4	2011-12	53.1
2007-08	60.3	2012-13*	37.0

* Estimate
Source: New York State Division of the Budget.

Temporary Franchise Surcharge

General. The Temporary Franchise Surcharge is imposed on the portion of the franchise and other taxes of certain corporations, banks and insurance, utility, transportation and transmission companies attributable (according to various complex formulae) to business activity carried on within the MTA Commuter Transportation District. This surcharge, originally imposed in 1982, was extended by the Legislature in March 2013 and is now scheduled to expire at the end of the last tax year of such entities ending prior to December 31, 2018; thus for calendar-year taxpayers no payments for 2018 will be due in the 2018-2019 State fiscal year unless the surcharge is further extended by the Legislature. In accordance with Section 171-a of the Tax Law, the tax revenue generated under these provisions, after the deduction of administrative costs, is to be deposited to the MMTOA Account, as such taxes are received.

Aspects relating to the imposition and collection of the Temporary Franchise Surcharge have from time to time been, are currently and may continue to be, the subject of administrative claims and litigation by taxpayers. The financial impact of such challenges commenced to date has not been and is not expected to be material.

Historical Summary of the Temporary Franchise Surcharge. The following table provides historical information relating to the Temporary Franchise Surcharge receipts deposited into the MMTOA Account for the last ten years.

Temporary Franchise Surcharges
(in millions)

State Fiscal Year	Net Receipts	State Fiscal Year	Net Receipts
2003-04	$484.1	2008-09	$851.8
2004-05	571.5	2009-10	885.7
2005-06	765.9	2010-11	827.7
2006-07	962.3	2011-12	951.5
2007-08	982.6	2012-13*	949.0

* Estimate
Source: New York State Division of the Budget.

STATE SERVICE CONTRACT BONDS

There are $370,085,000 aggregate principal amount of outstanding State Service Contract Bonds as of April 30, 2013. The following **SSC Table 1** sets forth, on a cash basis, the debt service thereon.

SSC Table 1
Aggregate Debt Service

Year Ending December 31	Aggregate Debt Service [(1)]
2013	$ 34,938,525
2014	79,087,600
2015	85,022,125
2016	85,109,825
2017	85,172,400
2018	71,925,863
Total	$441,256,338

(1) Total may not add due to rounding.

Sources of Payment – General

MTA has entered into a service contract, dated as of May 15, 2002, called the "State Service Contract," with the State of New York, acting by and through the Director of the Budget of the State, pursuant to the State Service Contract Legislation, comprised of Section 16 of Chapter 314 of the Laws of 1981, Section 42 of Chapter 929 of the Laws of 1986, and Section 34 of Part O of Chapter 61 of the Laws of 2000.

MTA has filed a copy of the State Service Contract and summaries of certain provisions of the State Service Contract Resolution, including certain defined terms used therein, with EMMA. In addition, copies of the summaries and the State Service Contract can be obtained on MTA's website under "MTA Home – MTA Info – Financial Information – Investor Information" at www.mta.info or from the MTA Finance Department at 347 Madison Avenue, New York, New York 10017.

Capitalized terms used under this caption "STATE SERVICE CONTRACT BONDS" not otherwise defined herein have the meanings set forth in the State Service Contract Resolution.

The State Service Contract Legislation authorizes the Director of the Budget, acting on behalf of the State, to enter into a long-term service contract with MTA for the purposes of financing and refinancing transportation facilities, as defined in subdivision 14 of Section 1261 of the Public Authorities Law, as well as refunding obligations issued by MTA and its affiliates.

Under the State Service Contract, in consideration of MTA's undertaking various transportation projects for the benefit of the people of the State, the State agrees to make annual payments to MTA over a period of years, with the obligation of the State subject in each year to the making of annual appropriations by the Legislature. Concluding on the expiration date, the State is required to pay to MTA, on or before the business day next preceding each January 1 and July 1 of each calendar year, an amount equal to the current year's debt service on all State Service Contract Bonds in two substantially equal semi-annual installments.

The State Service Contract Legislation authorizes MTA to pledge, and assign the annual payments to be made by the State as security for obligations which have been designated "State Service Contract Bonds" issued for the following purposes: to finance and refinance transportation projects, to refund obligations issued by MTA or any affiliate, and to refund obligations secured in whole or in part by any or all of the prior State service contracts authorized by the State Service Contract Legislation.

The aggregate debt service on the outstanding State Service Contract Bonds has exhausted MTA's current capacity under the State Service Contract to issue additional bonds (other than refunding bonds).

Nature of State's Obligation to Make State Service Contract Payments

Notwithstanding anything in the State Service Contract to the contrary,

- the obligation of the State to pay the amounts therein provided for is subject to annual appropriation by the Legislature,

- the obligation of the State to pay the amounts therein provided for shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys available and no liability shall be incurred by the State beyond the moneys available for the purpose, and

- the Legislature is not obligated to make appropriations to satisfy the State's obligations under the State Service Contract and there can be no assurance that the Legislature will make any such appropriations.

Subject to the foregoing, the State's obligation to make the payments provided for in the State Service Contract is absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against MTA or any other person or entity having an interest in the State Service Contract or the payments made under the State Service Contract.

Pledge Effected by the State Service Contract Bond Resolution

General. The "Trust Estate" – which consists primarily of all payments made to MTA by the State under the State Service Contract and the proceeds of the State Service Contract Bonds – is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the State Service Contract Bonds, in accordance with their terms and the provisions of the State Service Contract Resolution, subject only to the provisions of that resolution permitting the application thereof for the purposes and on the terms and conditions set forth in that resolution.

The pledge of the Trust Estate in all respects secures on a *pari passu* basis all of the State Service Contract Bonds, and 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 State Service Contract Resolution, and all corporate action on the part of MTA to that end has been duly and validly taken.

Debt Service Fund. The State Service Contract Bond Resolution establishes the State Service Contract Debt Service Fund, which the Trustee holds and administers. Amounts held in such Fund are held in trust separate and apart from all other funds. MTA is required to deposit each State Service Contract Payment, upon receipt or on the next succeeding business day, into the State Service Contract Debt Service Fund. Amounts in the Debt Service Fund will be used to make debt service payments on the State Service Contract Bonds.

Agreement with 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 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 MTA, including the State Service Contract Bonds, that the State will not limit or alter the rights vested in MTA (which do not include the right to an appropriation of debt service from the State) to fulfill the terms of any agreements made by MTA with the holders of its notes, bonds and lease obligations, including the State Service Contract Bonds, or in any way impair the rights and remedies of such holders.

PART 4. OPERATIONS

TRANSIT SYSTEM
(popular names – MTA New York City Transit and MaBSTOA)

Legal Status and Public Purpose

MTA New York City Transit was created in 1953 pursuant to the MTA New York City Transit Act for the purposes of acquiring the transit facilities then operated by the City and operating them for the convenience and safety of the public.

MaBSTOA was created as a public benefit corporation in 1962 as a statutory subsidiary of MTA New York City Transit to operate the bus routes that had been operated by Surface Transit, Inc. and Fifth Avenue Coach Lines, Inc. prior to their acquisition by the City.

Pursuant to the MTA New York City Transit Act, MTA New York City Transit and the City entered into an agreement of lease dated June 1, 1953, providing for the lease to MTA New York City Transit of the transit facilities then owned or thereafter to be acquired or constructed by the City for use in the fulfillment of MTA New York City Transit's corporate purposes. In connection with the creation of MaBSTOA, MTA New York City Transit agreed that bus lines acquired by the City would be leased to MaBSTOA by the City for operation and maintenance by MaBSTOA. Such lease with MaBSTOA was entered into on March 20, 1962.

MTA New York City Transit became an affiliate of MTA in 1968. The Chairman and Members of MTA, by statute, are also the Chairman and Members of MTA New York City Transit and Directors of MaBSTOA, and the Chief Executive Officer of MTA is, *ex officio*, Chief Executive Officer of MTA New York City Transit. The Chief Executive Officer is responsible for the discharge of the executive and administrative functions and powers of MTA New York City Transit. The President of MTA New York City Transit is primarily responsible for the general management and operation of MTA New York City Transit. The executive personnel of MTA New York City Transit and MaBSTOA report to the President of MTA New York City Transit.

Management

The following are brief biographies of MTA New York City Transit's senior officers, who also serve as MaBSTOA's senior officers.

Carmen Bianco, Acting President of MTA New York City Transit since April 19, 2013. Mr. Bianco, the Senior Vice President of Subways at MTA New York City Transit since March 2010, was recently named Acting President by Thomas F. Prendergast, the Interim Executive Director of MTA, pending selection of a permanent President to replace Mr. Prendergast. (Mr. Prendergast had served as President since December 2009.) As Acting President, Mr. Bianco is responsible for the general management and operation of MTA New York City Transit; he will also continue, as Senior Vice President of Subways, to oversee the operation of the MTA New York City Transit subway system. Mr. Bianco re-joined MTA New York City Transit with 33 years of experience in corporate safety, loss control and transportation operations. He has worked in key leadership positions at Amtrak for over 17 years and was MTA New York City Transit's Assistant Vice President of System Safety between 1991 and 1995. He has also worked as a consultant to public and private sector clients from the manufacturing, mining, petroleum, transportation, and utilities industries throughout North America, Europe, and Asia.

Robert Bergen, Executive Vice President since January 2010. Mr. Bergen is responsible for budget and controller, procurement and distribution, revenue collection, information services, operations planning, and government and community relations functions. Prior to his appointment, Mr. Bergen practiced law for 36 years both in the public and private sectors. Among other positions, Mr. Bergen was General Counsel to MTA Metro-North Railroad from January, 1989 through June, 1991, and General Counsel to MTA from July, 1991 through November, 1995. Mr. Bergen holds a B.A. degree from Rutgers University and a J.D. degree from Brooklyn Law School.

Frederick E. Smith P.E., Senior Vice President and Chief Engineer since November 2009. Mr. Smith is responsible for the Capital Program Management Department. Mr. Smith first joined MTA New York City Transit in 1980. Mr. Smith later served as Chief Engineer for MTA Long Island Rail Road from 1994 to 2000, before returning to MTA New York City Transit in 2000. Mr. Smith is a graduate of the State University of New York at Buffalo, holding a Bachelors of Science in Civil Engineering degree, magna cum laude, and Master of Business Administration, concentration in Financial Planning and Control. Mr. Smith is a licensed professional engineer in the State of New York.

Darryl C. Irick, Senior Vice President, NYCT Department of Buses, and President, MTA Bus Company since April 2011. Mr. Irick oversees the MTA New York City Transit bus system (including MaBSTOA bus operations). Beginning his NYC Transit career in 1986 as a bus operator at Kingsbridge Depot, Mr. Irick has progressively earned more senior positions in the areas of operations planning, depot management and road operations.

Martin B. Schnabel, Vice President and General Counsel since November 1996. Mr. Schnabel joined MTA New York City Transit in 1976. Prior to being appointed General Counsel, Mr. Schnabel served as Executive Assistant General Counsel. Mr. Schnabel is responsible for managing the various Law Department divisions. Mr. Schnabel received his B.A. from SUNY Binghamton and his J.D. degree from Boston University.

History of the Transit System

General. Mass transit has played a vital role in the development of the City from its earliest days. It continues to be essential to the economic life of the metropolitan area and for a substantial portion of the population of the metropolitan area it represents the principal means of transportation within the City and to and from places of employment. The intense concentration of commercial, financial, cultural, industrial and residential development that exists in the 22 square miles comprising the Borough of Manhattan, particularly its central business district, would not be feasible without an extensive system of mass transit.

Subway System. Construction of the first subway in the City began in 1900 and was completed in 1904. Although built with City funds, it was leased to and operated by a private company, the IRT. A major expansion of the subway system was completed in various stages between 1918 and 1922. A portion of the expanded system was incorporated into the IRT and the remainder was leased to another private company, the BMT. In 1924, the City Board of Transportation was created to plan, construct and operate a third subway system, the IND. That system was completed in various stages between 1932 and 1940.

In 1940, the City acquired the franchise rights and properties of the IRT and BMT from the private companies that had operated those lines and that were then in reorganization and the entire subway system was placed under the control of the City Board of Transportation. In 1953, the subway system was leased to the then newly-formed MTA New York City Transit.

Although a number of changes have been made to the fixed physical plant of the subway system since 1940, such as the closing of the oldest elevated lines and the integration of the several systems, there were no significant alterations of the basic physical configuration of the subway network since that time until MTA New York City Transit opened the Archer Avenue Line extension and the 63rd Street Tunnel in 1988 and 1989, respectively, along with three new subway stations along each of these routes.

MTA is in the process of developing new expansions and improvements to the Transit System, including the extension of the No. 7 subway line from Times Square south to 34th Street and 11th Avenue in Manhattan, the Lower Manhattan Fulton Street Transit Center, and the Second Avenue Subway. For more information about these projects, see "MTA CAPITAL CONSTRUCTION COMPANY" below.

Bus System. During the 1940's and 1950's, the City acquired the properties and franchises of a number of private bus companies operating within the City, all of which were leased to MTA New York City Transit at the time of its creation. MaBSTOA was created in 1962 to operate the bus lines formerly operated by Fifth Avenue Coach Lines, Inc. and Surface Transit, Inc. Both MTA New York City Transit and MaBSTOA have since assumed the operation of additional franchises and routes.

Most bus service within the City is operated by MTA New York City Transit, MaBSTOA and MTA Bus. MTA Bus is currently operating the bus routes formerly operated by seven former franchise private bus companies, and only a very small number of private bus companies continue to operate local service within the City or between the outer boroughs and the Manhattan central business district. See "MTA BUS COMPANY" below.

Description of the Transit System

Subway System. The City's rapid transit system is by far the largest in the nation. Only a few cities in the world have a subway system comparable in physical size and ridership. The subway system has over 659 miles of mainline track extending 231 route miles. It operates 24 hours a day, 365 days a year, although certain lines are not in service the entire day and frequency of service varies by route and time of day. In calendar year 2012, more than 1.6 billion revenue passengers used the subway. It currently has a fleet of 6,311 subway cars, two major subway car repair shops, 13 maintenance shops, 23 subway car storage yards and 467 active passenger stations. As of December 31, 2012, MTA New York City Transit employed 26,196 full-time workers in rapid transit.

Bus System. MTA New York City Transit and MaBSTOA presently operate bus service on 225 local and express routes throughout the City. The majority of bus routes are designed to serve passengers traveling within a particular borough or to serve as feeders to the subway system. In the calendar year 2012, 668 million revenue passengers used the bus system. The bus system operates on a continuous basis, although certain bus routes are not in service the entire day and frequency of service varies by route and time of day. As of December 31, 2012, the bus system employed 14,127 full-time persons and operated 4,344 buses.

Paratransit. On July 1, 1993, MTA New York City Transit assumed responsibility from the City for the Access-A-Ride paratransit service in order to increase the efficiency of providing such services by vesting responsibility in a single entity. Access-A-Ride service is provided by private vendors under contract with MTA New York City Transit. Paratransit fares are currently equivalent to the regular undiscounted passenger fare rate of $2.50. Paratransit operations are also supported by 6% of the revenue from the Urban Tax (a portion of a mortgage recording tax and a portion of a property transfer tax imposed upon commercial property in the City). The City contributes an operating subsidy to support paratransit, equal to the lesser of (i) one third of the operating deficit, calculated after deducting paratransit passenger revenue, the above-described Urban Tax revenue, and MTA New York City Transit administrative expenses, or (ii) an amount that is 20% greater than the amount required to be paid by the City for the preceding calendar year. Any remaining operating deficit is funded by MTA New York City Transit. Over the years, the costs of the paratransit program have risen substantially in excess of the City's 20% additional funding contribution, so MTA New York City Transit has assumed, and expects to continue to assume, greater costs with respect to the paratransit service.

Relationships with the State, the City and the Federal Government

State and City. MTA New York City Transit and MaBSTOA receive substantial amounts of funding for the operating costs of the Transit System from subsidies provided by the State and the City. In the calendar year 2012, State and City operating assistance, special tax supported subsidies and reimbursements for the Transit System constituted, on a cash basis, approximately 43.5% of the total pledged revenues of MTA New York City Transit and MaBSTOA, down from 43.9% in 2011, due primarily to a decrease in Special Tax Supported Subsidies offset, in part, by an increase in pledged Transit Farebox Revenues and Paratransit reimbursements. To the extent that future operating assistance from the State and City are subject to their receipt of tax revenues, the level of such funding may be affected by the general economic conditions in, and the financial condition of, the State and City.

In addition to the operating and capital assistance received by MTA New York City Transit and MaBSTOA from the City, MTA New York City Transit and MaBSTOA are dependent upon the City for the maintenance and repair of City-maintained bridges, streets and other infrastructure necessary for the operation of the Transit System. Water main breaks and other infrastructure problems, including problems on bridges, have in the past and may in the future cause service disruptions.

City infrastructure problems that restrict or preclude service on the Transit System could decrease ridership and revenue levels of the Transit System. The materiality of any such decrease would depend on the nature, severity and duration of the service interruptions.

Federal. MTA New York City Transit and MaBSTOA also receive substantial amounts of funding for the capital costs of the Transit System from grants provided by the Federal government. The Federal government also supplied substantial capital funds for prior Transit Capital Programs. Federal operating assistance is not currently authorized by Federal law for mass transit operations, including the Transit System.

Other. Officials of the State, City and Federal governments and the Inspector General of MTA periodically conduct audits and reviews of the operations of MTA New York City Transit and MaBSTOA. Officers of MTA New York City Transit and MaBSTOA respond to these reports and adopt some of the recommendations made therein or take other appropriate remedial actions.

MTA New York City Transit and MaBSTOA are subject to regulation by Federal and State agencies with responsibilities for safety. In general, they must maintain and equip their tracks and rolling stock in compliance with minimum standards, file reports with respect to certain accidents and incidents and respond to recommendations for improving transit system safety.

MTA BUS COMPANY
(popular name – MTA Bus)

Legal Status and Public Purpose

MTA Bus was created as a public benefit corporation subsidiary of MTA in 2004. At its meeting in December 2004, the MTA Board approved a letter agreement with the City with respect to MTA Bus' establishment and operation of certain bus routes (the "City Bus Routes") in areas then served by seven private bus companies pursuant to franchises granted by the City. The letter agreement with the City provides for the following:

- A lease by the City to MTA Bus of the bus assets to operate the City Bus Routes.

- The City agrees to pay MTA Bus the difference between the actual cost of operation of the City Bus Routes (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the City Bus Routes. The letter agreement permits the parties after a period of 18 months to negotiate an agreement to establish a formula-based approach for the payment of the City subsidy.

- If the City fails to timely pay any of the subsidy amounts due for a period of 30 days, MTA Bus has the right, after an additional 10 days, to curtail, suspend or eliminate service and may elect to terminate the agreement. The City can terminate the agreement on one year's notice.

MTA Bus completed the consolidation of the seven bus lines in the first quarter of 2006. As discussed under "FINANCIAL PLANS AND CAPITAL PROGRAMS," the Review Board and MTA have included certain capital funding for MTA Bus in the 2000-2004 MTA Capital Program and the 2010-2014 Capital Program.

Effective as of April 1, 2006, MTA Bus pledged its operating revenues to the Trustee under the Transportation Resolution and became a signatory to the Interagency Agreement securing the Transportation Revenue Bonds. All or a portion of MTA Bus' capital needs may be financed from the proceeds of the Transportation Revenue Bonds. The City is not responsible for paying debt service on bonds issued by MTA for the benefit of MTA Bus in connection with the 2000-2004 Capital Program and the 2010-2014 Capital Program. The expense of debt service on bonds issued by MTA for the benefit of MTA Bus in connection with the 2010-2014 Capital Program is submitted to the City for reimbursement to MTA Bus and MTA.

Description of the MTA Bus System

MTA Bus presently operates bus service on 45 local routes in The Bronx, Brooklyn and Queens and 35 express routes between Manhattan and The Bronx, Brooklyn and Queens. In calendar year 2012, over 120 million revenue passengers used the MTA Bus System. As of December 31, 2012, the MTA Bus System employed 3,629 persons and operated 1,258 buses. The MTA Bus System operates on a continuous basis, although certain bus routes are not in service the entire day and frequency of service varies by route and time of day.

Management

Darryl C. Irick, the Senior Vice President, NYCT Department of Buses, is also the President of MTA Bus.

STATEN ISLAND RAPID TRANSIT OPERATING AUTHORITY
(popular name – MTA Staten Island Railway)

Legal Status and Public Purpose

MTA Staten Island Railway was created as a public benefit corporation subsidiary of MTA in 1970. MTA Staten Island Railway is responsible for the operation of a rapid transit railroad system on Staten Island pursuant to a lease and operating agreement with the City.

MTA Staten Island Railway service runs 24 hours daily between the St. George and Tottenville stations. At the St. George station, customers can make connections with Staten Island Ferry service. MTA Staten Island Railway's capital needs are funded as a part of the Transit Capital Program approved by the Review Board and its operating losses are funded by the City and/or MTA.

Management

Carmen Bianco, the Acting President of MTA New York City Transit, is also the Acting President of MTA Staten Island Railway.

COMMUTER SYSTEM
(popular names – MTA Long Island Rail Road and MTA Metro-North Railroad)

Legal Status and Public Purpose

MTA Long Island Rail Road. Through MTA Long Island Rail Road, MTA directly operates commuter railroad service between the City and Long Island and within Long Island (the "MTA Long Island Rail Road Commuter Service").

MTA Long Island Rail Road was incorporated as a privately-held railroad company in 1834. In 1966, MTA acquired all of the capital stock of MTA Long Island Rail Road from its parent, the Pennsylvania Railroad Company. In February 1980, MTA Long Island Rail Road's Certificate of Incorporation was amended to convert it into a subsidiary public benefit corporation of MTA organized pursuant to the MTA Act. MTA Long Island Rail Road owns, leases or has easements or other rights to the rolling stock, physical plant and equipment material to its operations.

MTA Metro-North Railroad. Through MTA Metro-North Railroad, MTA directly operates the New Haven Line (pursuant to a joint service agreement with CDOT) and the Harlem and Hudson commuter rail services (collectively, the "MTA Metro-North Commuter Service") and subsidizes and performs certain other services relating to the New York State portion of the Port Jervis and Pascack Valley Lines operated, pursuant to a joint service agreement, by NJ Transit. The Metro-North Commuter Services provide service between the City and the northern New York suburban counties of Westchester, Putnam and Dutchess and from the City through New Haven and Fairfield Counties in the southern portion of the State of Connecticut to New Haven, Connecticut. The Port Jervis and Pascack Valley Lines provide service from the northern New York suburban counties of Orange and Rockland to northern New Jersey and the City (known as "West of Hudson" service).

MTA Metro-North Railroad was incorporated by MTA on September 22, 1982 as a subsidiary public benefit corporation. MTA or MTA Metro-North Railroad owns, leases or has easements or other rights to the rolling stock, physical plant and equipment material to the operation of the Harlem and Hudson Lines, and to the physical plant and equipment material to the operation of the New York State portion of the New Haven Line. With respect to the New Haven Line, MTA or MTA Metro-North Railroad owns approximately 53.3% of the rolling stock and CDOT owns the remainder.

The New Haven Line is operated by MTA Metro-North Railroad pursuant to the terms of an Amended and Restated Service Agreement dated as of June 21, 1985, among the State of Connecticut (by CDOT), MTA and MTA Metro-North Railroad (the "ARSA"). Under the provisions of the ARSA, at the expiration of each term, it is automatically extended for five years, subject to the right of CDOT or MTA to terminate the ARSA on 18 months' written notice. The current term of the ARSA expires on January 1, 2015.

The Port Jervis and Pascack Valley Lines are operated by NJ Transit Rail Operations, Inc. ("NJTRO") pursuant to the terms of an Agreement for Operation dated as of July 27, 2006, between NJTRO and MTA Metro-North Railroad (the "AFO"), the initial term of which expired on June 30, 2012. Under the provisions of the AFO, at the expiration of each term, it is automatically extended for an additional year, subject to the right of NJTRO or MTA Metro-North Railroad to terminate the AFO by no later than March 15, in which case the AFO will terminate on June 30 of that same year.

Management

The following are brief biographies of the chief operating officers of MTA Long Island Rail Road and MTA Metro-North Railroad.

Helena E. Williams, President of MTA Long Island Rail Road since June 2007. Ms. Williams is the first woman to lead the LIRR. Just prior to joining the MTA Long Island Rail Road, Ms. Williams worked briefly as Senior Counsel at Cablevision. Prior to that position, Ms. Williams served for five years in the administration of Nassau County Executive Tom Suozzi. Ms. Williams first served at the MTA beginning in 1985, where she rose from labor counsel to chief of staff of Metropolitan Suburban Bus Company before assuming the presidency of Metropolitan Suburban Bus Company in 1993. In 1999 Williams was inducted into the New York Public Transit Association's Hall of Fame. Ms. Williams began her career in New York City, working for the Mayor's Office of Municipal Labor Relations. She holds a J.D. from the St. John's University School of Law and is admitted to practice law in New York. She has a B.A. with honors from the State University of New York at Oneonta.

Howard Permut, President of MTA Metro-North Railroad since July 2008. Mr. Permut is only the fourth President in the railroad's history and was part of the original team that created Metro-North out of the Conrail commuter operations in New York and Connecticut in 1983. Prior to his current role as President, Mr. Permut was the Senior Vice President of Planning, Procurement and Business Development. Before working for MTA Metro-North Railroad, Mr. Permut worked at the Northeastern Illinois RTA during its formative years and the CTA. He is also a visiting scholar at New York University and has worked for a number of major transit agencies in London, Santo Domingo, Philadelphia, San Francisco and Los Angeles. He has taught the NTI Senior Leadership Course and has lectured at NYU, University of Pennsylvania, Northwestern, CUNY and Brooklyn Polytechnic Institute. Mr. Permut holds a Masters of Science in Transportation from Northwestern University and a B.A. in Geography from the State University of New York at Binghamton.

Description of the Commuter System

MTA Long Island Rail Road Commuter Service and Metro-North Commuter Railroad Service are the two largest commuter railroad services in the nation. MTA Long Island Rail Road uses 18 yards and 4 major repair shops. MTA Metro-North Railroad uses 10 yards and 1 major repair shop. The commuter services operate every day of the year, although frequency of service varies by route, day of the week and time of day. The following table further details the MTA Long Island Rail Road Commuter Service and the Metro-North Commuter Service.

MTA Long Island Rail Road and MTA Metro-North Railroad Commuter Services as of December 31, 2012[1]

	Revenue Passengers (in thousands)[2]	Stations	Actual Route Miles	Main Line Track Miles	Passenger Cars
MTA Long Island Rail Road	81,754	124	320.4	689.0	1,120
MTA Metro-North Railroad	81,341	111	272.9	701.2	1,198
Totals	163,095	235	593.3	1390.2	2,318

(1) Certain of the stations, track and passenger cars are not owned by MTA, MTA Long Island Rail Road or MTA Metro-North Railroad.

(2) The number of revenue passengers is determined in part by ascribing an assumed frequency of use to holders of weekly and monthly commutation tickets. Metro-North's numbers do not include West of Hudson service.

Relationships with the State, Certain Local Governments and the Federal Government

State and Local Governments. MTA receives substantial amounts of funding for the operating and capital costs of the Commuter System from appropriations and subsidies provided by the State and certain local governments. In calendar year 2012, State and local operating assistance, special tax supported subsidies and reimbursements for the Commuter System constituted, on a cash basis, approximately 50.1% of the total pledged revenues of MTA relating to the Commuter System, up from approximately 47.6 % in 2011. To the extent that future operating assistance and the funding of the capital costs of subsequent capital programs projected to be funded by the State are subject to its receipt of tax revenues and the making of annual appropriations, the level of such funding may be affected by the current economic conditions in, and the financial condition of, the State.

Federal. MTA also receives substantial amounts of funding for the capital costs of the Commuter System from grants provided by the Federal government. The Federal government supplied funds for prior Commuter Capital Programs. Federal operating assistance is not currently authorized by Federal law for mass transit operations, including the Commuter System.

Other. Officials of the State, City and Federal governments and the Inspector General of MTA periodically conduct audits and reviews of the operations of MTA Long Island Rail Road and MTA Metro-North Railroad. Officers of MTA Long Island Rail Road and MTA Metro-North Railroad respond to these reports and adopt some of the recommendations made therein or take other appropriate remedial actions.

MTA Long Island Rail Road and MTA Metro-North Railroad are subject to regulation by Federal and State and, with respect to MTA Metro-North Railroad, State of Connecticut agencies with responsibilities for railroad safety. In general, they must maintain and equip their roadbed and rolling stock in compliance with minimum standards, file reports with respect to certain accidents and incidents and respond to recommendations for improving Commuter System safety.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
(popular name – MTA Bridges and Tunnels)

Legal Status and Public Purpose

MTA Bridges and Tunnels, a public benefit corporation, became an affiliate of MTA effective March 1, 1968. MTA Bridges and Tunnels is empowered, among other things, to construct and operate certain vehicle bridges, tunnels and highways and other public facilities in the City. The following are the vehicular toll facilities (the "MTA Bridges and Tunnels Facilities") operated by MTA Bridges and Tunnels:

MTA Bridges and Tunnels Facilities

7 Bridges	2 Tunnels
Robert F. Kennedy Bridge	Hugh L. Carey Tunnel (formerly the Brooklyn-Battery Tunnel)
Verrazano-Narrows Bridge	Queens Midtown Tunnel
Bronx-Whitestone Bridge	
Throgs Neck Bridge	
Henry Hudson Bridge	
Marine Parkway-Gil Hodges Memorial Bridge	
Cross Bay Veterans Memorial Bridge	

A more detailed description of the MTA Bridges and Tunnels Facilities is set forth below.

MTA Bridges and Tunnels also operates, pursuant to a management agreement with a private contractor, the Battery Parking Garage located adjacent to the Manhattan plaza of the Hugh L. Carey (formerly the Brooklyn-Battery) Tunnel. The garage was opened in 1950, has since been renovated, and has space for 2,100 vehicles.

Title to the MTA Bridges and Tunnels Facilities and the Battery Parking Garage is vested in the City, but MTA Bridges and Tunnels has the use and occupancy of such facilities so long as its corporate existence continues.

Management

The following are brief biographies of certain senior operating officers of MTA Bridges and Tunnels.

James L. Ferrara, President since January 2010. Prior to being appointed President, Mr. Ferrara was Vice President of Operations since February 2009. Prior to that appointment, he had been General Manager at the Verrazano-Narrows Bridge. Prior to that, he served as Operations Superintendent at the Brooklyn-Battery Tunnel. Mr. Ferrara began his career as a Bridge and Tunnel Officer at the Robert F. Kennedy Bridge in 1977 and worked his way through the ranks and into management.

David Moretti, Executive Vice President since April 5, 2010. Mr. Moretti served as Acting Chief Financial Officer at MTA Headquarters from December 2009 to April 2010. Prior to that appointment, he was Executive Vice President of MTA Bridges and Tunnels since January 2009 and, before that, was Acting President of MTA Bridges and Tunnels since January 2007. Prior to being appointed Acting President, Mr. Moretti was Executive Vice President and Chief Financial Officer responsible for Labor Relations, Health and Safety, Technology, Planning and Budget and Finance. Mr. Moretti joined MTA Bridges and Tunnels in 1988 and has held the positions of Deputy CFO and Budget Director. Prior to joining MTA Bridges and Tunnels, Mr. Moretti served as Deputy Assistant Director for the New York City Office of Management and Budget and also participated in research on the privatization of municipal services for the Columbia University Graduate School of Business. Mr. Moretti earned his undergraduate degree in economics from Boston University and has attended the Program for Senior Executives in State and Local Government at Harvard University.

Joe Keane, Chief Engineer since 2010. Mr. Keane has been at MTA Bridges and Tunnels since 1988 and previously worked for the New York City Department of Transportation. Mr. Keane is a licensed professional engineer in both New York and New Jersey. He holds a Bachelors Degree in Civil Engineering from the National

University of Ireland and a Masters Degree in Structural Engineering from City College of New York as well as an Executive Construction Management Diploma from Polytechnic University, New York.

M. Margaret Terry, General Counsel since November 2011. Ms. Terry was named Acting General Counsel in 2010 and had served as Deputy General Counsel since September 2000. Before joining MTA Bridges and Tunnels in January 1992, Ms. Terry was the Chief of Construction Litigation at MTA New York City Transit and an associate at the law firms of Lubell & Lubell and Cohn, Glickstein, Lurie, Ostrin, Lubell & Lubell. Ms. Terry received a J.D. degree from NYU Law School and a B.A. in Theology from Santa Clara University.

Donald Spero, Chief Financial Officer since March 2009. Prior to being appointed Chief Financial Officer, Mr. Spero was Acting Chief Financial Officer since January 2007. Prior to then, Mr. Spero served as Deputy Chief Financial Officer for Planning and Budget. Since joining MTA Bridges and Tunnels in 1988, he has also served as Director of Capital and Strategic Planning and Director of Capital Budget. Before coming to MTA Bridges and Tunnels, he worked for the New York City Mayor's Office of Operations as Chief of Staff and Deputy Assistant Director and for the New York City Comptroller's Office. Mr. Spero holds degrees from Syracuse University and the George Washington University.

MTA Bridges and Tunnels Facilities*

The following is a brief description of the MTA Bridges and Tunnels Facilities, listed in order of revenue generation:

<u>Robert F Kennedy Bridge</u>-Crosses the East River and the Harlem River and connects the Boroughs of Queens, The Bronx and Manhattan. Opened to traffic in 1936, it carries eight traffic lanes between Queens and The Bronx via Wards Island and Randall's Island, and six traffic lanes between Randall's Island and Manhattan. These three major crossings are interconnected by viaducts.

<u>Verrazano-Narrows Bridge</u>-Connects the Boroughs of Brooklyn and Staten Island. It is a double deck structure with each deck carrying six traffic lanes. The upper deck was opened to traffic in 1964 and the lower deck in 1969.

<u>Throgs Neck Bridge</u>-Crosses the upper East River between the Boroughs of Queens and The Bronx approximately two miles east of the Bronx-Whitestone Bridge. Opened in 1961, it has two roadways, each carrying three traffic lanes.

<u>Bronx-Whitestone Bridge</u>-Crosses the East River and connects the Boroughs of Queens and The Bronx. The roadways of the bridge, which was opened to traffic with four lanes in 1939, were widened so as to carry six traffic lanes commencing in 1946.

<u>Queens Midtown Tunnel</u>-Crosses under the East River and connects the Boroughs of Queens and Manhattan. Opened to traffic in 1940, it consists of twin tubes, carrying an aggregate of four traffic lanes.

<u>Brooklyn-Battery Tunnel (renamed Hugh L. Carey Tunnel)</u>-Crosses under the East River at its mouth and connects the Boroughs of Brooklyn and Manhattan. Opened to traffic in 1950, it consists of twin tubes, carrying an aggregate of four traffic lanes.

<u>Henry Hudson Bridge</u>-Crosses the Harlem River between the Spuyten Duyvil section of The Bronx and the northern end of Manhattan. It has two roadway levels, carrying an aggregate of seven traffic lanes, the lower level having been opened to traffic in 1936 and the upper level in 1938. The operation of this bridge includes the maintenance of a small part of the Henry Hudson Parkway.

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* For purposes of the bond resolutions, the MTA Bridges and Tunnels Facilities are referred to as the "TBTA Facilities."

Marine Parkway-Gil Hodges Memorial Bridge–Crosses Rockaway Inlet and connects Rockaway Peninsula, in Queens, with Brooklyn. Opened in 1937, it carries four traffic lanes. The operation of this bridge includes the maintenance of the Marine Parkway from the toll plaza to Jacob Riis Park.

Cross Bay Veterans Memorial Bridge–Crosses Beach Channel in Jamaica Bay to Rockaway Peninsula, and is located in Queens. Reconstructed and opened to traffic in May 1970, this bridge carries six traffic lanes. Its operation includes the maintenance of a small part of the Cross Bay Parkway.

MTA Bridges and Tunnels also operates the Battery Parking Garage. Only the bridges and tunnels constitute MTA Bridges and Tunnels Facilities under the MTA Bridges and Tunnels bond resolutions, though the net revenues derived from the operation of the Battery Parking Garage are included as net revenues that are pledged to the payment of such bonds.

MTA Bridges and Tunnels is a founding member of the E-ZPass Interagency Group ("IAG"), which is a consortium of 25 agencies in 15 states that operate an interoperable electronic toll collection system.

Authorized Projects of MTA Bridges and Tunnels

MTA Bridges and Tunnels' powers have been broadened by the Legislature beyond its traditional role as a vehicular toll facility authority within the City. MTA Bridges and Tunnels is also authorized to participate in the financing of the Transit and Commuter Project.

The Transit and Commuter Project consists of certain capital projects for the benefit of the Commuter System and the Transit System and MTA Staten Island Railway. The capital assets constructed or acquired by MTA Bridges and Tunnels as part of the Transit and Commuter Project are to be transferred or leased for a nominal consideration to MTA or MTA New York City Transit, and neither such conveyance nor any capital grants made as part of the Transit and Commuter Project will produce revenues for MTA Bridges and Tunnels. Alternatively, such capital assets may be sold to parties other than MTA or MTA New York City Transit and leased back by MTA Bridges and Tunnels for subleasing for a nominal consideration to MTA or MTA New York City Transit or leased directly to MTA or MTA New York City Transit at the expense of MTA Bridges and Tunnels.

Under existing law, MTA Bridges and Tunnels has no obligation with respect to the operation and maintenance of the equipment or facilities financed as the Transit and Commuter Project.

MTA CAPITAL CONSTRUCTION COMPANY
(popular name – MTA Capital Construction)

Legal Status and Public Purpose

MTA Capital Construction Company ("MTACC") was created as an MTA subsidiary in 2003. MTACC is responsible for administration of the planning, design and construction of major MTA projects which often span multiple Capital Programs. Current projects include three major MTA system expansion projects—East Side Access, Second Avenue Subway, and the No. 7 subway line extension; the Fulton Street Transit Center; and the MTA-wide capital security projects.

Management

The following is a brief biography of the President of MTA Capital Construction.

Dr. Michael Horodniceanu, President of MTA Capital Construction since July 2008, brings more than 30 years of leadership, vision and engineering and construction management expertise to MTA, overseeing the largest network expansion and infrastructure improvement program in generations. Prior to joining MTA Capital Construction, Dr. Horodniceanu was Chairman and CEO of the Urbitran Group, a New York City-based civil engineering firm, from 1980 to 1986 and again from 1990 until 2008. Between 1986 and 1990, he served as New York City's Traffic Commissioner, overseeing an agency program with a yearly operational budget of over $750 million, as well as a $4 billion capital construction program.

East Side Access

The East Side Access project consists of construction of a 3.5-mile commuter rail connection between MTA Long Island Rail Road's Main and Port Washington lines in Queens to a new terminal to be constructed beneath Grand Central Terminal. The new connection will increase MTA Long Island Rail Road's capacity into Manhattan and dramatically shorten travel time for Long Island and eastern Queens's commuters traveling to the east side of Manhattan. As part of a re-baseline effort in 2012, the project budget and revenue service dates were adjusted from $7.3 billion with a revenue service date of 2016 to $8.24 billion and a revenue service date of 2019. After this re-baseline, Federal funds for the project, through a Full Funding Grant Agreement ("FFGA") with the Federal Transit Administration ("FTA") remained at $2.70 billion. Of the FFGA funds committed, $2.03 billion has been received as of February 5, 2013. In addition, the State has committed $450 million to this project. MTA has also applied for a RRIF loan in the amount of $2.20 billion for the East Side Access project. MTA expects to finance the remaining portion of the cost of the East Side Access project using those loan proceeds and MTA bond proceeds. MTA expects to repay the RRIF loan on a parity with Transportation Revenue Bonds.

MTA began construction of certain portions of the East Side Access project in 2001. Current construction activity includes the Manhattan Approach Tunnels and Manhattan Structures Part 1 contracts, which used tunnel boring machines ("TBMs") to create the running tunnels from the existing 63rd Street Tunnel at Second Avenue to Grand Central Terminal and to excavate a large portion of the station caverns. This work is expected to reach substantial completion in 2013. Other work in Manhattan includes work on the passenger concourse and elevator and escalator wellways that connect the concourse to the caverns that will hold the train platforms. In Queens, a contract to carry out the very complex TBM tunneling construction underneath the existing train yard and MTA Long Island Rail Road tracks in Queens is expected to reach substantial completion in 2013. The new tunnels go under existing rights-of-way as part of the connection of the existing MTA Long Island Rail Road right-of-way to the Queens side of the 63rd Street Tunnel. A separate contract to construct a tunnel segment under Northern Boulevard in Queens is nearing completion. This highly complex work requires excavation that is above an existing subway line and below a major roadway that also carries an elevated subway line. Also in Queens, the project scope includes major reconfiguration work at Harold Interlocking, which is the set of tracks, switches and signals through which MTA Long Island Rail Road, Amtrak, and New Jersey Transit manage train movements for service at Jamaica, Queens and New York Penn Station. Existing contract work is progressing and expected to reach substantial completion in early 2014, at which time the next Harold Interlocking contracts will be awarded. The East Side Access project is currently negotiating with systems contractors to construct the infrastructure that will tie together the various parts of the project into a single operating railway. It is anticipated that the first of three systems contracts will be awarded in 2013.

Second Avenue Subway

MTA and MTA New York City Transit have undertaken the process of planning and designing a full-length Second Avenue Subway, which will be the City's first major expansion of the subway system in over 50 years. When fully completed, the Second Avenue Subway will provide customers with a new service, now expected to be designated as the "T" Line, running approximately 8.5 miles along the length of Manhattan's East Side, generally under 2nd Avenue, from 125th Street in Harlem to Hanover Square in Lower Manhattan. This new line will also connect at 63rd Street with the existing N/Q/R Line, which runs south through Manhattan and into Brooklyn.

Under the current plan, the project is expected to be built in four phases.

- Phase One: Construction will include tunnels from 105th Street and 2nd Avenue to 63rd Street and Third Avenue, with new stations along 2nd Avenue at 96th, 86th and 72nd Streets and new entrances to and newly opened portions of the existing Lexington Avenue/63rd Street Station. The new service will run from 96th Street and 2nd Avenue to the existing Lexington Avenue/63rd Street Station, where it will connect with the N/Q/R Line.

- Phase Two: The new subway line will be extended north from 96th Street to 125th Street. Subway service will run from 125th Street to the existing Lexington Avenue/63rd Street Station, where it will connect with the N/Q/R Line.

- Phase Three: The new subway line will be extended south to Houston Street. Subway service will run from 125th Street to Houston Street and 2nd Avenue.

- Phase Four: In this final phase the new subway line will be extended south to Hanover Square. Subway service will run from 125th Street to Hanover Square in Lower Manhattan.

The capital cost for Phase One, which is underway, is currently estimated at $4.45 billion and the project is currently expected to be completed at the end of 2016. As of February 5, 2013, MTA has received $1.06 billion in Federal financial assistance to the project from the FTA of the total of approximately $1.37 billion expected to be received through an FFGA. The State is contributing $450 million in direct funding. The remainder of the necessary funding for this project will be achieved through the issuance of MTA bonds. When completed, Phase One subway service is projected to carry nearly 200,000 weekday riders.

MTA began construction of Phase One in 2007. The running tunnels that link the new stations to the existing 63rd Street Station used a TBM for excavation and are now completed. Current construction activity includes the station structure contracts at all future new stations, 96th Street, 86th Street, and 72nd Street; the 63rd Street Station Upgrade contract, where the new segment connects to the existing system; and the Systems contract for installation and construction of the infrastructure that will tie together the new right-of-way and stations into an operating subway line. MTA Capital Construction awarded two additional contracts since March 2012; the finishes contract for the 96th Street Station and the finishes contract for the 72nd Street Station. This leaves only one additional contract, scheduled for award later this year, to complete all the work for the completion of the Phase One segment of the Second Avenue Subway.

No. 7 Subway Line Extension

MTA and the City are jointly working on the redevelopment of the Hudson Yards area of Manhattan (the "Hudson Yards Area"), which extends generally from West 28th Street on the south, 8th Avenue on the east, West 43rd Street on the north and the Hudson River Park on the west. As a part of the redevelopment, the No. 7 subway line will be extended from its current terminal near Times Square on West 41st Street between 7th and 8th Avenues to a new terminal at West 34th Street and 11th Avenue. The extension will provide a transit link to the Javits Convention Center and is expected to help transform the surrounding manufacturing and industrial neighborhood into a mixed-use community. Construction includes new subway rail tracks beyond the new terminal to West 25th Street to permit the storage of trains and enhance operational reliability. The project scope of work also includes non-subway work being carried out at the request of Hudson Yards Development Corporation (HYDC), to construct high-rise building foundations at development sites and reconstruct the City's 11th Avenue Viaduct structure adjacent to the subway infrastructure work. The future buildings will integrate MTA entrances and ventilation facilities.

The budget for the No. 7 subway line extension is $2.15 billion for the subway work and $266 million for non-subway work, for a total project budget of $2.42 billion. HYDC is funding $2.10 billion for the subway work and the full $266 million cost of the non-subway work. MTA funded approximately $50 million for design and environmental review work.

MTA Capital Construction awarded the first construction contract for the structure of the running tunnels and the terminal station structure at 34th Street and 11th Avenue in November 2007. TBM running tunnel and cavern excavation work was completed in 2012. In addition, two contracts declared substantial completion in 2012; Site L and Site K, whose scope included the construction of a two-story ventilation building structure at W. 41st Street and Dyer Avenue and the viaduct reconstruction of 11th avenue between W. 35th and W. 37th Streets. Site J Contract is expected to declare substantial completion in 2013, leaving the systems and finishes contract as the last major piece of remaining construction. The revenue service date for this new subway service is projected to be June 2014.

The final contract was awarded in September 2012 and will construct a secondary station entrance between 34th and 35th Streets east of 11th Avenue. This entrance will be available for use after the start of the June 2014 revenue service date.

Lower Manhattan Projects: Fulton Street Transit Center and South Ferry Terminal

On December 3, 2003, $1.15 billion in Federal funding was approved for the Fulton Street Transit Center and new South Ferry Terminal projects. Subsequent agreements with the FTA and the inclusion of Federal stimulus funds raised the Federal commitment to a total of $1.69 billion. The new South Ferry Terminal at the southern end of the No. 1 subway line replaced a deficient station with a full-length, two-track terminal station with three station entrances, ADA accessibility and a new free transfer between the No. 1 and R subway lines. The new station opened to the public in March 2009. The station suffered extensive damage on October 29, 2012 due to Tropical Storm Sandy. While reconstruction plans are currently underway, the old South Ferry station was reopened on April 4, 2013 as an interim measure until the new station is repaired.

The Fulton Street Transit Center, a centerpiece of the plan to improve mobility in Lower Manhattan, will greatly facilitate connections between 11 subway lines that serve the Fulton Street/Broadway-Nassau complex in Lower Manhattan and nearby stations, will link MTA New York City Transit facilities with Port Authority PATH train services, and will provide access to the redeveloped World Trade Center site and World Financial Center ferry services. The goal of the Fulton Street Transit Center project is to improve circulation and reduce crowding by reconfiguring the current maze of tunnels and stairways that now connect subway lines that were built years apart (between 1905 and 1932) by separate entities.

The cost is estimated at $1.40 billion, with $1.27 billion in Federal funding (almost all of which has been received as of February 5, 2013), and the project is expected to be completed in 2014. Current construction activities mainly consist of the Transit Center Building contract. Two additional contracts reached substantial completion in December 2012 and remaining work to reconfigure the A/C Mezzanine and restore the historic Corbin Building is expected to reach substantial completion in 2013.

PART 5. STATISTICAL INFORMATION

RIDERSHIP AND FACILITIES USE

Transit System (MTA New York City Transit and MaBSTOA) Ridership

General. Subway revenue passengers in 2012 totaled more than 1.6 billion, an increase of approximately 0.9% from 2011. Bus ridership in 2012 was 668 million, 0.4% lower than in 2011.

To meet the overall growth in demand in recent years, MTA New York City Transit expanded service from 1996 to 2009, adding new capacity on its subway lines and bus routes. From 1996 to 2009, subway service increased by 17% and bus service has increased by 33%. MetroCard fare incentives were introduced beginning in 1997. Due to financial circumstances in 2010, bus and subway service cuts were required along with other budget reduction programs in order to balance the 2011 budget. In 2013, New York City Transit restored some of the bus service eliminated in 2010.

While some of the Transit System changes in use in the past few years have been attributable to the changes in the economy, overall ridership changes are also attributable to other factors including successful efforts to reduce fare evasion and improve security. Significant factors which impact ridership, discussed more fully below, include fare increases and fare incentives, Transit System performance and levels of services, Transit System security and employment in the City generally as well as the relative level and cost of service provided by competing transportation modes such as taxis, licensed and unlicensed vanpools, private car and bus services and charter operators. Interruptions to service or temporary closures of lines resulting from major capital improvement projects to the Transit System by MTA New York City Transit or service disruptions caused by City infrastructure problems not under the control of MTA New York City Transit and MaBSTOA or from repairs to or rehabilitation of City infrastructure by the City or its agencies could adversely impact ridership and revenues. The effect would depend on the nature, severity and duration of the service interruptions.

Historical Ridership. The following table sets forth annual ridership on the Transit System since 1996 and the percentage increase (decrease) each year.

Revenue Passengers[(1)]
(in thousands)

Years	Subway	Subway Increase/ (Decrease)	Bus[(2)]	Bus Increase/ (Decrease)	Para-Transit[(3)]	Paratransit Increase/ (Decrease)	Total Revenue Passengers[(4)]	Total Increase/ (Decrease)
1996	1,110,026	1.6%	480,049	(6.1)%	740	9.1%	1,590,815	(0.9)%
1997	1,129,514	1.8	529,856	10.4	967	30.7	1,660,337	4.4
1998	1,199,419	6.2	607,593	14.7	1,240	28.2	1,808,252	8.9
1999	1,283,082	7.0	659,344	8.5	1,557	25.6	1,943,983	7.5
2000	1,381,079	7.6	691,822	4.9	2,295	47.4	2,075,196	6.7
2001	1,405,300	1.8	732,445	5.9	2,710	18.1	2,140,455	3.1
2002	1,413,178	0.6	754,718	3.0	3,030	11.8	2,170,926	1.4
2003	1,384,069	(2.1)	727,607	(3.6)	3,564	17.6	2,115,240	(2.6)
2004	1,426,040	3.0	740,586	1.8	3,983	11.8	2,170,609	2.6
2005	1,449,109	1.6	736,493	(0.6)	4,663	17.1	2,190,265	0.9
2006	1,498,916	3.4	741,420	0.7	5,202	11.6	2,245,538	2.5
2007	1,562,515	4.2	738,040	(0.5)	5,872	12.9	2,306,427	2.7
2008	1,623,881	3.9	746,977	1.2	7,244	23.4	2,378,102	3.1
2009	1,579,867	(2.7)	726,472	(2.7)	8,490	17.2	2,314,829	(2.7)
2010	1,604,198	1.5	696.923	(4.1)	9,017	6.2	2,310,138	(0.2)
2011	1,640,435	2.3	670,699	(3.8)	8,947	(0.8)	2,320,080	0.4
2012	1,654,582	0.9	667,911	(0.4)	9,343	4.4	2,331,836	0.5

(1) "Revenue Passengers" are defined as all passengers for whom revenue is received, either through direct fare payment (cash, tokens, MetroCards) or fare reimbursements (senior citizens, school children, the physically disabled). "Revenue Passengers" statistics count passengers that use a free intermodal or bus-to-bus transfer as an additional passenger though they are not paying an additional fare.

(2) Bus ridership is measured as unlinked trips, i.e., each bus boarding is counted as a trip, including bus-to-bus transfers. Bus ridership prior to July 1997 includes estimates for student ridership and bus-to-bus transfers.

(3) Paratransit ridership includes trips made by Personal Care Attendants and guests.

(4) Includes subway, bus and paratransit.

Fares. Since September 1975 when the base fare was 50 cents, the base fare charged for use of the Transit System has been raised ten times.

Date of Increase	New Base Fare	Amount of Increase	Percent Increase
1980 – June	$0.60	$0.10	20.0%
1981 – July	0.75	0.15	25.0
1984 – January	0.90	0.15	20.0
1986 – January	1.00	0.10	11.1
1990 – January	1.15	0.15	15.0
1992 – January	1.25	0.10	8.7
1995 – November	1.50	0.25	20.0
2003 – May	2.00	0.50	33.3
2009 – June	2.25	0.25	12.5
2013 – March	2.50	0.25	11.1

Each fare increase, except the 1986 increase, has been followed by an immediate decrease in ridership.

In addition to the above-referenced increases in the base fare, on February 27, 2005, MTA New York City Transit increased the cost of a 30-day unlimited-ride MetroCard from $70 to $76, the cost of a 7-day unlimited-ride MetroCard from $21 to $24, and express bus fares from $4 to $5 without increasing the local base fare.

On March 2, 2008, MTA New York City Transit increased the cost of a 1-day unlimited-ride MetroCard from $7.00 to $7.50, the cost of a 7-day unlimited-ride MetroCard from $24 to $25 and the cost of a 30-day unlimited-ride MetroCard from $76 to $81. A 14-day unlimited-ride MetroCard priced at $47 was introduced. The bonus on Pay-Per-Ride MetroCards was changed from 20% on purchases of $10 or more to 15% on purchases of $7 or more. The local base fare of $2.00, express bus fare and the price of the Express Bus Plus MetroCard were unchanged.

In addition to the $0.25 increase in the base fare in June 2009, on June 28, 2009, MTA New York City Transit increased the cost of a 1-day unlimited-ride MetroCard from $7.50 to $8.25, the cost of a 7-day unlimited-ride MetroCard from $25 to $27, the cost of a 14-day unlimited-ride MetroCard from $47 to $51.50, and the cost of a 30-day unlimited-ride MetroCard from $81 to $89. The bonus on Pay-Per-Ride MetroCards remained at 15%, while the minimum purchase required to receive the bonus increased from $7 to $8. The express bus base fare increased from $5.00 to $5.50 and the cost of the 7-day Express Bus Plus MetroCard increased from $41 to $45.

On December 30, 2010, MTA New York City Transit eliminated the 1-day and 14-day unlimited-ride MetroCards, increased the cost of a 7-day unlimited-ride MetroCard from $27 to $29 and increased the cost of a 30-day unlimited-ride MetroCard from $89 to $104. The bonus on Pay-Per-Ride MetroCards was changed from 15% on purchases of $8 or more to 7% on purchases of $10 or more. The express bus fare remained $5.50, while the cost of a 7-day Express Bus Plus MetroCard increased from $45 to $50.

On December 19, 2012, the MTA Board approved a tariff change which became effective on March 3, 2013, increasing the cost of a 7-day unlimited-ride MetroCard from $29 to $30, and the cost of a 30-day unlimited-ride MetroCard from $104 to $112. In addition, the bonus on Pay-Per-Ride MetroCards was changed from 7% on purchases of $10 or more to 5% on purchases of $5 or more. The express bus fare increased from $5.50 to $6.00, while the cost of a 7-day Express Bus Plus MetroCard increased from $50 to $55. The base fare increased from $2.25 to $2.50.

Nevertheless, current fares, without giving effect to any changes in ridership patterns, remain, on average, relatively low in real terms as compared to 1982 (the year in which MTA's first capital program began) after adjusting for inflation based on increases in the Consumer Price Index ("CPI"). The following chart shows historical fare information since 1996.

Historical Fare Information

Year	CPI-U[1]	Base Fare	Base Fare Real Fare 1982$[2]	Average Fares[3]	Non-Student Average Fares[4]
1996	166.9	$1.50	$0.857	$1.284	$1.378
1997	170.8	1.50	0.837	1.229	1.323
1998	173.6	1.50	0.824	1.084	1.160
1999[5]	177.0	1.50	0.808	1.028	1.093
2000	182.5	1.50	0.783	1.013	1.075
2001	187.1	1.50	0.764	1.001	1.058
2002	191.9	1.50	0.745	0.986	1.044
2003[6]	197.8	2.00	0.964	1.120	1.189
2004	204.8	2.00	0.931	1.174	1.244
2005 [7]	212.7	2.00	0.896	1.198	1.272
2006	220.7	2.00	0.864	1.215	1.294
2007	226.9	2.00	0.840	1.218	1.294
2008[8]	235.8	2.00	0.808	1.256	1.334
2009 [9]	236.8	2.25	0.905	1.330	1.411
2010 [10]	240.9	2.25	0.890	1.407	1.492
2011	247.7	2.25	0.866	1.543	1.637
2012	252.6	2.25	0.849	1.555	1.646
2013 (projected) [11]	256.3	2.50	0.930	1.656	1.753

(1) CPI All Urban Consumers, New York, N.Y. – Northeastern N.J.; 1982-84=100.0. The CPI levels listed are the annual average for each year. 2010 estimate based on Global Insight forecast of 1.20% increase in NY/NJ CPI-U.
(2) Base fare after adjusting for inflation since 1982 (1982 CPI = 95.3).
(3) Total farebox revenue divided by revenue passenger trips (including students). Average fares in the table are for the full year.
(4) Non-student revenue divided by revenue passenger trips (excluding students).
(5) 1999 is the first complete calendar year in which unlimited ride passes were available.
(6) Base fare increased from $1.50 to $2.00 in May 2003.
(7) 30-day unlimited ride, 7-day unlimited ride and express bus fares increased effective February 27, 2005.
(8) 30-day unlimited ride, 7-day unlimited ride, 1-day unlimited ride and express bus fares increased effective March 2, 2008; 14-day unlimited ride MetroCard introduced. The bonus was reduced from 20% to 15%, and the threshold to receive the bonus was reduced from $10 to $7.
(9) Base fare increased from $2.00 to $2.25, express bus fare increase from $5.00 to $5.50, and 1-day,7-day, 14-day and 30-day unlimited ride fares increased effective June 28, 2009.
(10) Effective December 30, 2010, 1-day and 14-day unlimited-ride MetroCards were eliminated, the cost of a 7-day unlimited-ride MetroCard increased from $27 to $29 and the cost of a 30-day unlimited-ride MetroCard increased from $89 to $104. The bonus on Pay-Per-Ride MetroCards was changed from 15% on purchases of $8 or more to 7% on purchases of $10 or more. The express bus fare remained $5.50, while the cost of a 7-day Express Bus Plus MetroCard increased from $45 to $50.
(11) 2013 projection includes impact of $0.25 base fare increase, $0.50 express bus fare increase, 7-Day and 30-Day pass increases, and change in MetroCard bonus from 7% on purchases of $10 or more to $5% on purchases of $5.00 or more on March 3, 2013. Average fare shown in table is for full year.

MTA New York City Transit offers the following MetroCard discount and bonus programs as of March 3, 2013:

- free intermodal (subway-to-bus and bus-to-subway) transfers,
- MetroCard Bonus Program, offering customers a 5% bonus on purchases of, or additions to, a single MetroCard of $5 or more,
- unlimited-ride 7-day and 30-day passes,
- unlimited-ride 7-day combined express bus and regular bus and subway pass,
- free and half-fare student programs,
- half-fare programs for senior citizens and persons with disabilities, and
- free replacement of lost or stolen unlimited-ride 30-day and 7-day express passes (limit of 2 per calendar year per holder) if the holder paid by credit or debit card.

Subway System Performance and Level of Service. Since implementation of the capital programs began in early 1982, Transit System performance, on the whole, has improved. MTA New York City Transit has replaced or overhauled its entire fleet. The entire fleet is now free of painted graffiti, and subway cars now run an average of 162,138 miles between breakdowns, up from an average of 7,145 in 1982. Since the end of 1992, all of the Transit System's 659 miles of mainline track have been maintained in a state of good repair, which has reduced track related mainline derailments and delays. Weekday terminal on-time performance was 83.7% for the year 2012, a decrease of approximately 1% from the 2011 level of 84.8%. MTA New York City Transit has also rehabilitated shops, depots, warehouses and stations, which has helped make operations more efficient.

Other aspects of the passenger environment have also experienced significant improvement. Almost all cars have adequate climate control and are displaying the correct signage.

MTA New York City Transit believes that these improvements are attributable to better management and maintenance of the Transit System and implementation of capital projects pursuant to the capital programs. Further improvements, as well as the maintenance of these significant improvements since the inception of the capital programs in 1982 and the improvements in Transit System performance produced as a result thereof, are dependent upon the completion of final work under prior plans and of the 2010-2014 Transit Capital Program and subsequent capital programs.

A number of measures are used to quantify Transit System performance and the level of Transit System service, including total vehicle miles traveled ("VMT"), train abandonments and mean distance between failures ("MDBF").

The following table shows the VMT for subways since 1996.

Vehicle Miles Traveled by Subways

Year	Subway VMT (in millions)	% Increase / (Decrease)
1996	309	N/A
1997	314	1.6
1998	315	0.3
1999	323	2.5
2000	333	3.1
2001	336	0.9
2002	344	2.4
2003	345	0.3
2004	350	1.4
2005	346	(1.1)
2006	350	1.2
2007	349	(0.3)
2008	358	2.6
2009	364	1.5
2010	361	(0.7)
2011	353	(2.2)
2012	352	(0.3)

The decline in subway VMT from 2004 to 2005 was due to the three day strike in December 2005, reduced service during the recovery from the Chambers Street fire in the first quarter of 2005 and service diversions to support major construction projects such as the Fulton Street Transit Center, the new South Ferry station and implementation of communication-based equipment on the "L" line. The relatively minor decrease from 2006 to 2007 was due primarily to weekend service diversion to support major construction projects. VMT in 2008 increased due to a number of service enhancements and improvements to frequency introduced in the middle of the year. The evening span of service was expanded on the B, M and V lines, as well as on the 7 Express, while late night 3 service was restored (between 148th Street and Times Square). Rush hour frequencies on the L train were increased from 15 to 17 trains per hour. The 2009 increase in VMT was largely due to the 2008 improvements being in effect for the entire calendar year. The extension of the G train to Church Avenue also contributed to additional VMT. The decrease from 2009 to 2010 was due to the 2010 service reductions and the December 2010 blizzard. The decrease from 2010 to 2011 was due to annualization of service reductions in June and December

2010 and suspension of service during Hurricane Irene in August 2011. The decrease from 2011 to 2012 would have been an increase if the impact of Tropical Storm Sandy is excluded, representing higher ridership, including an additional leap year day.

An important factor affecting the quality of subway service is the frequency of train abandonments, either in the form of terminal abandonments or en route abandonments. Terminal abandonments occur when trains scheduled for operation cannot be put into service. En route abandonments occur whenever a train misses one or more of its regularly scheduled station stops after the train has left its originating terminal. Of the two, en route abandonments have a potentially greater impact on service due to the compounding effect they may have on a portion of the Transit System. For example, if a train is abandoned en route, it may be immobilized in place for an extended period delaying other trains behind it or causing trains to be switched to another track.

The Transit Capital Program has necessitated and will continue to necessitate temporary service disruptions that adversely affect certain aspects of Transit System performance such as on-time performance. These disruptions are required to facilitate work on certain capital projects. Such disruptions include the rerouting of subway trains, the closing of either part or all of certain passenger stations, cessation of either local or express service, train delays and reduction of train speeds. The increase in the level of terminal and en route abandonments that was occasioned by the major capital rebuilding program in progress throughout the Transit System has been reduced.

Subway MDBF represents total revenue car miles divided by the number of car failures. A car failure is any incident, including delays, relating to equipment in revenue service that is attributable to that equipment and/or its maintenance. Since 1996, subway MDBF has increased by 137.6%.

The following table shows subway MDBF since 1996.

Subway MDBF

Year	(in miles)	% Increase/ (Decrease)
1996	68,238	N/A
1997	77,161	13.1
1998	80,990	5.0
1999	86,884	7.3
2000	110,180	26.8
2001	109,914	(0.2)
2002	114,619	4.3
2003	139,960	22.1
2004	156,815	12.0
2005	178,085	13.6
2006	156,624	(12.1)
2007	149,646	(4.5)
2008	134,795	(9.9)
2009	148,002	9.8
2010	170,217	15.0
2011	172,700	1.5
2012	162,138	(6.1)

In general, there has been improvement in fleet wide MDBF since the beginning of the capital program. These improvements are attributable to a number of factors, including: increased supervision and management control of the MTA New York City Transit work force, improved maintenance and inspection procedures, better training of employees, and the influx of replacement and overhauled subway cars funded through the capital program. The Scheduled Maintenance System ("SMS") program is the agency's primary means of maintaining fleet reliability. Under SMS, important car components and subsystems are overhauled or replaced at regular intervals – six years for most subsystems.

Fleet MDBF increased 15.0% from 148,002 miles in 2009 to 170,217 in 2010, increased 1.5% to 172,700 in 2011, and decreased 6.1% to 162,138 in 2012. The 2012 decrease from 2011 was due mostly to the aging of the fleet in some car classes.

Bus System Performance and Level of Service. Bus MDBF measures the average rate of bus failure in terms of miles of operation. While declining bus MDBF affects the quality of bus service, it generally is not expected to have as significant an impact on bus ridership as MDBF has on subway ridership, since the breakdown of one bus generally does not affect the operations of other buses on the same route.

There has been an increase in bus MDBF since the beginning of the capital program process. Since 1996, the bus MDBF has increased by 160.5%. Buses ran an average of 4,546 miles between mechanical breakdowns during 2012, a 36.1% increase from an average of 3,340 MDBF at the end of 2011. MDBF performance improvements were the result of integrating new buses into the fleet and improved maintenance practices. In 2012, the number of buses with less than 2 years of service increased from 12% to 18% of the fleet.

The following table shows bus MDBF since 1996.

Bus MDBF

Year	(in miles)	% Increase/ (Decrease)
1996	1,745	N/A
1997	2,033	16.5
1998	2,084	2.5
1999	2,149	3.1
2000	2,608	21.3
2001	3,242	24.3
2002	3,478	7.3
2003	3,554	2.2
2004	3,564	0.3
2005	3,618	1.5
2006	4,059	12.2
2007	4,109	1.2
2008	3,933	(4.3)
2009	3,922	(0.3)
2010	3,678	(6.2)
2011	3,340	(9.2)
2012	4,546	36.1

Since 1996, bus VMT has increased by 20.0%. Numerous schedule and route adjustments have been and continue to be made to better match bus availability to passenger demand. The following table shows the VMT for buses since 1996.

Vehicle Miles Traveled by Buses

Year	(in millions)	% Increase/ (Decrease)
1996	95	N/A
1997	98	3.2
1998	104	6.1
1999	109	4.8
2000	115	5.5
2001	118	2.6
2002	119	0.8
2003	121	1.7
2004	122	0.8
2005	119	(2.5)
2006	120	0.8
2007	120	0.0
2008	122	1.7
2009	122	(0.3)
2010	115	(5.7)
2011	113	(1.7)
2012	114	0.9

The decline in bus VMT from 2004 to 2005 was because of the three-day strike in December 2005, conversion of two routes to articulated service in Spring 2004, cessation in 2004 of two temporary bus services related to September 11, 2001, and cessation in mid-2005 of bus service near Coney Island that temporarily replaced subway service during construction of the new Stillwell Avenue station. The reduction from 2009 to 2010 was due to the 2010 service reductions and the December 2010 blizzard. The reduction from 2010 to 2011 was due to annualization of the June 2010 service reductions and service suspensions during severe winter snow storms and Hurricane Irene. The increase from 2011 to 2012 would have been higher if the impact of Tropical Storm Sandy is excluded, representing higher ridership, including an additional leap year day.

Transit System Security. Ridership is also affected by the public's perception of security and order in the Transit System. Security around the Transit System has been increased since the terrorist attacks on the World Trade Center ("WTC").

The public's perception of security and order is also affected by the presence of homeless people, beggars, illegal vendors and fare evaders in the Transit System. MTA New York City Transit and the New York City Police Department have taken significant steps to address these problems. These include instituting an outreach program to transport the homeless from the Transit System to City shelters, increasing the uniformed police presence throughout the Transit System and reducing fare evasion and serious crimes. Between 1990 and 2012, major felonies declined 84.7%. Aggressive enforcement and fare control area modifications contributed to a drop in the fare evasion ratio to 1.6% in 2012 from 5.9% in the peak year of fare evasion in 1991. Police presence has been important to reductions in subway crime and fare evasion.

Employment. City employment levels generally have a significant impact on the level of subway ridership. However, in the 1996 to 2008 period, subway ridership gains outpaced the local economy (due in part to the introduction of MetroCard fare incentives in the late 1990s), with subway ridership increasing 46.3% while employment grew 12.7% over the same period. The weak economy in 2009 affected both employment and subway ridership about the same, with employment declining 2.6% and subway ridership declining 2.7%. With the local economy recovering in 2010 and 2011, subway ridership again outpaced the local economy, increasing 1.5% in 2010, compared with a 0.4% employment increase, and increased 2.3% in 2011 compared to a 2.0% employment increase. In 2012, subway ridership increased 0.9% lagging the 2.1% employment increase due to Sandy-related service disruptions.

From 1996 to 2012, average weekday subway passengers increased 46.0%, while average weekend subway passengers increased by 82.8%.

Automated Fare Collection. MTA New York City Transit employs an automated fare collection, or AFC, system in all subway stations and on all MTA New York City Transit, MaBSTOA, and MTA Bus routes. AFC includes, among other elements, subway turnstiles and bus fare boxes that accept a magnetic farecard ("MetroCard") in payment. AFC provided the technical capability to eliminate two-fare zones as well as to implement flexible intermodal and interagency fare structures. MetroCard enables passengers to purchase multiple rides and use the MetroCard to enter the Transit System through AFC turnstiles that automatically deduct the cost of each use. The subway turnstiles are designed to be tamper-resistant and to inhibit fare evasion by being more difficult to pass without payment. The bus fareboxes issue magnetically encoded transfers that are designed to reduce fare evasion resulting from the use of invalid transfers.

In 2012, 95.6% of non-student trips were made with MetroCard, up from 23.0% in June 1997, the month before the introduction of free intermodal transfers. 48.5% of 2012 non-student trips were made with pay-per-ride MetroCards, and 47.2% were made on unlimited-ride MetroCards (29.9% with 30-day cards and 17.3% with 7-day cards). The market share of all non-MetroCard fare media (cash and single-ride tickets) was 4.4% in 2012.

Out-of-system sales outlets, including approximately 4,400 active retail locations, generated approximately $600 million in MetroCard sales in 2012, a 4.8% decrease from 2011. Market share for MetroCard out-of-system sales is approximately 15.1%. During 2012, sales of 2.4 million MetroCards valued at $185 million were made to transit benefit companies delivering tax-advantaged transportation benefits through MetroCard to their client employers/employees. Unlimited ride products accounted for approximately 81% of these sales in 2012. In addition, total TransitChek Premium MetroCard sales for the year were $53 million, with more than 44,000 employees enrolled in this annual card program at year's end. In 2012, the amount that mass transit commuters were permitted for monthly payroll reductions was reduced to $125 from $230. Employer-based transit benefit programs are expected to rebound since federal legislation raised the pre-tax monthly cap to $245 in January 2013. Consequently, MTA expects steady growth in MetroCard sales related to these employer-based programs.

MetroCard Vending Machines ("MVMs") allow riders to purchase MetroCards using cash, credit, debit or Electronic Benefits Transfer ("EBT") cards. The MetroCard Express Machine ("MEM") is a compact vending unit that accepts only credit, debit or EBT cards for payment. A total of 1,641 MVMs were servicing 467 active stations throughout MTA New York City Transit's subway system in 2012, as well as the Staten Island Railway, Staten Island Ferry's St. George terminal, Orchard Beach in the Bronx, the NICE Bus Hempstead Terminal, Roosevelt Island Tramway, and Grand Central Terminal. In addition, 548 MEMs were in service in 253 active stations by the end of the year. 195 MetroCard Fare Collectors ("MFC") were in service serving 97 active Select Bus Service bus stops. Vending machine sales totaled $2.5 billion in 2012, accounting for 78% of total in-system sales.

Purchasers of a 30-day or 7-day express unlimited ride MetroCard with a credit or debit card through the MVMs and MEMs are the beneficiaries of a free replacement if their MetroCards are lost or stolen, subject to a limit of 2 per holder per calendar year.

Included in the 2010-2014 Transit Capital Program is $200 million of funding earmarked for the next generation of fare collection system improvements.

Commuter System Ridership

From 2003 to 2012, ridership on MTA Metro-North Railroad increased by 12.2% and ridership on MTA Long Island Rail Road increased by 1.0%. In 2012, MTA Metro-North Railroad ridership increased to 81.3 million and MTA Long Island Rail Road ridership increased to 81.8 million. The following table details annual commuter services ridership over the last ten years and the percentage increase/(decrease) each year.

Revenue Passengers[(1)]
(in thousands)

Year	MTA Long Island Rail Road	MTA Long Island Rail Road Increase/ (Decrease)	MTA Metro-North Railroad[(2)]	MTA Metro-North Railroad Increase/ (Decrease)
2003	80,924	(3.6)	70,502	(1.6)
2004	79,254	(2.1)	70,757	0.4
2005	80,131	1.1	72,784	2.9
2006	82,037	2.4	75,044	3.1
2007	86,098	5.0	78,231	4.2
2008	87,358	1.5	81,466	4.1
2009	82,951	(5.0)	77,976	(4.3)
2010	81,556	(1.7)	79,211	1.6
2011	81,027	(0.6)	80,364	1.5
2012	81,754	0.9	81,341	1.2

(1) A single rider traveling to and from the same destination is counted as two revenue passengers. The number of revenue passengers is determined in part by ascribing an assumed frequency of use to holders of weekly and monthly commutation tickets.
(2) MTA Metro-North Railroad ridership totals do not include West of Hudson riders.

A variety of factors affect ridership on the Commuter System. Among the most important are level of fares, Commuter System performance and regional employment discussed below. Other factors that may be important to Commuter System ridership include the amount and level of service provided and security. Several service level increases were implemented in 2012.

Fares. Since 1982, the base fares charged for the use of the Commuter System within New York State have been raised ten times.

Date of Increase	Approximate Increase in NYS Average Fares
1984 – January	20%
1986 – January	11
1990 – January	15
1995 – November	9
2003 – May	25
2005 – March	7.6/6.2[(1)]
2008 – March	3.85
2009 – June	10
2010—December	9
2013 – March	9[(2)]

(1) Effective March 1, 2005, the average fare increased by 7.6% on MTA Long Island Rail Road and by 6.2% on Metro-North Railroad for service between points in New York State, which resulted in an approximately 5% increase in revenues over prior fare structures.
(2) Effective March 1, 2013, MTA implemented a 7.5% revenue yield increase for travel within New York State, which corresponded to approximately a 9% average fare increase.

In addition, CDOT approved the implementation of an 11% increase in fare levels for travel to and from Connecticut stations effective July 1, 1991. CDOT also increased fares by approximately 5% to and from Connecticut on January 1 in the years 1992, 1993, 1994 and 1996 and by approximately 4.5% on January 1, 1997, and 1998.

In October 2011, the MTA Board approved the proposal for an increase in New Haven Line fares for travel to or from stations located in Connecticut. The approval provides for a cumulative increase of approximately 16.2%, phased in as of January 1, 2012 (5.3%), January 1, 2013 (5.04%), and January 1, 2014 (5.04%).

A 7.5% revenue yield increase was implemented for travel on MTA Long Island Rail Road and between points in New York State on MTA Metro-North Railroad effective March 1, 2013, corresponding to approximately a 9% average fare increase for both railroads.

A discount is offered to Mail & Ride customers who purchase a combined unlimited monthly commuter ticket and MetroCard. MTA Long Island Rail Road and MTA Metro-North Railroad sell reduced-fare $ $4.00 weekend rides since March 1, 2013 between points within the City.

Nevertheless, current fares, without giving effect to any changes in average length of trip or other ridership patterns, remain, on average, low in real terms as compared to 1982 after adjusting for inflation based on increases in the CPI.

		MTA Long Island Rail Road		**MTA Metro-North Railroad**					
				Harlem		**Hudson**		**New Haven**	
Year	CPI[(1)]	Average Nominal Fare[(2)]	Real Fare 1982$	Average Nominal Fare	Real Fare 1982$	Average Nominal Fare	Real Fare 1982$	Average Nominal Fare	Real Fare 1982$
1999	177.0	4.17	2.24	3.96	2.13	4.77	2.57	5.24	2.82
2000	182.5	4.19	2.19	4.00	2.09	4.83	2.52	5.26	2.75
2001	187.1	4.20	2.14	4.00	2.04	4.86	2.48	5.24	2.67
2002	191.9	4.19	2.08	3.99	1.98	4.85	2.41	5.23	2.60
2003	197.8	4.86	2.34	4.64	2.24	5.66	2.73	5.76	2.77
2004	204.8	5.18	2.41	4.91	2.29	6.00	2.79	6.12	2.85
2005	212.7	5.52	2.47	5.16	2.31	6.29	2.82	6.50	2.91
2006	220.7	5.58	2.41	5.19	2.24	6.40	2.76	6.51	2.81
2007	226.9	5.57	2.34	5.22	2.19	6.44	2.71	6.56	2.75
2008	235.8	5.80	2.34	5.35	2.16	6.64	2.68	6.54	2.64
2009	236.8	6.14	2.47	5.67	2.28	7.02	2.82	6.72	2.71
2010	240.9	6.42	2.54	5.96	2.36	7.29	2.88	6.85	2.71
2011	247.7	7.06	2.71	6.54	2.52	8.01	3.08	7.02	2.70
2012	252.6	7.11	2.68	6.57	2.48	8.06	3.04	7.32	2.76
2013 Est [(3)]	233.0	7.57	3.09	7.00	2.61	8.61	3.21	7.68	2.86

(1) CPI All Urban Consumers, New York, N.Y. – Northeastern N.J.; 1982-84=100.0. The CPI levels listed are the annual average for each year.

(2) Average Nominal Fare means the fare paid per ride, determined by dividing total passenger revenues by total revenue passengers.

(3) 2013 estimate provided by MTA. Reflects impact of Connecticut fare increase effective January 1, 2013. MNR estimates based on 2013 Revenue & Ridership Budget. CPI is estimated by Global Insight.

Characteristics of Commuter System Performance. Characteristics of performance potentially affecting ridership include on-time performance, the fleet's average distance between failures, the number of standees and platform waiting time. Since implementation of the capital program began in early 1982, Commuter System performance as measured by those indicia has, on the whole, improved, although some of those indicia have shown declines during certain periods. Implementation of certain capital projects that are part of the Commuter Capital Programs may involve temporary disruptions of service as various portions of the Commuter System are refurbished or replaced. MTA Long Island Rail Road and MTA Metro-North Railroad schedule capital project work so as to minimize disruption of operations. In addition, as the Commuter Capital Program for rolling stock replacement progresses from achieving a state of good repair to normal system replacement and the rolling stock is retired at the end of its useful life, further fluctuations may appear in various measures of Commuter System performance.

The following table shows on-time performance for MTA Long Island Rail Road and MTA Metro-North Railroad for the last ten years.

On-Time Performance (%)

Year	MTA Long Island Rail Road	MTA Metro-North Railroad
2003	93.1	96.4
2004	92.7	96.1
2005	92.2	97.5
2006	93.3	97.8
2007	94.1	97.7
2008	95.1	97.5
2009	95.2	97.8
2010	92.8	97.7
2011	93.7	96.9
2012	94.3	97.6

The following table shows the fleet's MDBF for MTA Long Island Rail Road and MTA Metro-North Railroad for the last ten years. The substantial increase in MDBF during the last few years has been mainly due to the new fleet of cars. In 2011, Metro-North Railroad's fleets attained an average MDBF of 114,347 miles compared to a goal of 125,000 miles, reflecting the negative effects of the extraordinary winter weather on the performance of the New Haven Line fleets. The performance of the other fleets, however, shows the result of continued investment in and the revitalization of MTA Metro-North Railroad's car fleets.

MDBF

	MTA Long Island Rail Road		MTA Metro-North Railroad	
Year	MDBF (in miles)	Increase/ (Decrease)	MDBF (in miles)	Increase/ (Decrease)
2003	39,579	6.6%	56,578	(19.5)%
2004	44,760	13.1	52,324	(7.5)
2005	51,993	16.2	67,996	30.0
2006	78,597	51.2	103,377	52.0
2007	107,825	37.2	110,361	6.8
2008	132,203	22.6	104,865	(5.0)
2009	145,703	10.2	116,066	10.7
2010	149,651	2.7	129,329	11.4
2011	169,724	11.8	114,347	(11.6)
2012	194,382	14.5	165,694	44.9

Regional Employment. Regional employment levels, primarily in the City, have a significant impact on commuter railroad ridership. See "RIDERSHIP AND FACILITIES USE – Transit System (MTA New York City Transit and MaBSTOA) Ridership – Employment" above in this Part 5.

MTA Bus Ridership

General. MTA Bus was created as a public benefit corporation subsidiary of MTA in 2004 to integrate seven private bus companies into the MTA. The final MTA Bus company merger was completed in February 2006.

Since MTA Bus launched operations, bus performance, on the whole, has significantly improved. MTA Bus has replaced more than 75% of its fleet with 497 new express buses, 389 low-floor hybrid electric local buses and 198 low-floor compressed natural gas (CNG) local buses. The bus fleet age has decreased from 9.43 years on February 20, 2006 (the first day of complete consolidated operations) to 7.32 years at the end of 2012. MTA Bus relies on the timely procurement and delivery of new buses to replace overage buses in order to improve MDBF and equipment reliability. However, at the end of the 2010-2014 capital program, MTA Bus will continue to have buses greater than 12 years of age in service.

Historical Ridership. To meet the overall growth in demand in recent years, MTA Bus has been enhancing service since 2006, incrementally increasing capacity on all of its bus routes. MTA Bus revenue passengers in 2012 totaled 121 million, an increase of 1.3% over 2011. Ridership increased in 2012 despite the disruptions caused by Tropical Storm Sandy due to improving economy and continuing efforts to improve route performance by amending service plans, frequencies of service and hours of service.

The following table sets forth total annual ridership and the year-over-year percentage increase/decrease for MTA Bus since 2006, when the merger was completed; however, it should be noted that only partial-year data is reported for 2006 because the merger at MTA Bus was completed during the first quarter.

Revenue Passengers[(1)]
(in thousands)

Years	Ridership	Bus Increase/ (Decrease)
2006[(2)]	99,253	N/A
2007	110,269	11.0%
2008	121,028	9.8
2009	119,976	(0.9)
2010	120,237	0.2
2011	119,381[(3)]	(0.7)
2012	120,877	1.3

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(1) "Revenue Passengers" are defined as all passengers for whom revenue is received, either through direct fare payment (cash, tokens, MetroCards) or fare reimbursements (senior citizens, school children, the physically disabled). "Revenue Passengers" statistics count passengers that use a free intermodal or bus-to-bus transfer as an additional passenger though they are not paying an additional fare.
(2) 2006 represents partial year data because the mergers at MTA Bus were completed during the first quarter.
(3) 2011 ridership number has been revised with transfer counts.

Fares. MTA Bus offers the same discount and bonus programs as MTA New York City Transit and adheres to the same fare structure, including pricing for passes, as MTA New York City Transit. See "RIDERSHIP AND FACILITIES USE — Transit System (MTA New York City Transit and MaBSTOA) — Fares" above.

Performance and Level of Service. Buses ran an average of 5,300 miles between mechanical breakdowns during 2012, a 54.5% increase from an average of 3,430 MDBF at the end of 2011. A.M. weekday pull-out performance increased by 1.2% compared to 2011. MDBF Performance improvements were the result of integrating new buses into the fleet and improved maintenance practices. In 2012, the number of buses with less than 2 years of service increased from 5% to 10% of the fleet.

The following table shows MTA Bus MDBF since 2006.

Bus MDBF

Year	(in miles)	Increase/ (Decrease)
2006*	2,369	N/A
2007	3,369	42.0%
2008	4,631	37.5
2009	3,372	(27.2)
2010	3,438	2.0
2011	3,430	(0.3)
2012	5,300	54.5%

* 2006 represents partial-year data because the mergers at MTA Bus were completed during the first quarter.

The following table shows Total Actual Vehicle Miles Traveled by MTA Bus since 2006.

Total Actual Vehicle Miles Traveled by MTA Bus (in millions)

Year	VMT	Increase/ (Decrease)
2006*	29.3	N/A
2007	35.5	14.0%
2008	37.4	5.3
2009	37.0	(1.1)
2010	35.2	(4.9)
2011	35.2	0.2
2012	35.4	0.7

* 2006 represents National Transit Database combination of partial-year data from the former private companies and MTA Bus because the merger at MTA Bus was completed during the first quarter.

MTA Bridges and Tunnels – Total Revenue Vehicles

The following table shows the total number of revenue vehicles at the MTA Bridges and Tunnels Facilities for the past ten years.

MTA Bridges and Tunnels Facilities Total Revenue Vehicles

Year	Revenue Vehicles 000's	Increase/ (Decrease)	Year	Revenue Vehicles 000's	Increase/ (Decrease)
2003[(1)]	297,465	(0.8)%	2008[(3)]	295,680	(2.9)%
2004	302,995	1.9	2009[(4)]	291,383	(1.5)
2005[(2)]	300,385	(0.9)	2010[(5)]	291,714	0.1
2006	302,059	0.6	2011	283,575	(2.8)
2007	304,364	0.8	2012	282,647	(0.3)

(1) Toll increase became effective May 18, 2003.
(2) Toll increase became effective March 13, 2005.
(3) Toll increase became effective March 16, 2008.
(4) Toll increase became effective July 12, 2009.
(5) Toll increase became effective December 30, 2010.

MTA Bridges and Tunnels' independent engineers, Stantec Consulting Services ("Stantec"), have prepared a report (the "Stantec Report") to develop projections of traffic, revenues and expenses for the MTA Bridges and Tunnels Facilities entitled "History and Projection of Traffic, Toll Revenues and Expenses and Review of Physical Conditions of the Facilities of Triborough Bridge and Tunnel Authority," dated April 26, 2013. The report also contains certain historical revenue, traffic and more detailed toll rate information not included herein. A copy of the Stantec Report is attached to the Continued Disclosure Filings as Appendix E and, for convenience, has also been posted on the MTA website under "About the MTA – Financial Information – Investor Information" at www.mta.info. The Stantec Report is included by specific cross-reference herein.

Toll Rates

General Power to Establish Tolls.

- MTA Bridges and Tunnels' power to establish toll rates is not subject to the approval of any governmental entity. However, prior to implementing proposed changes in its toll rates, MTA Bridges and Tunnels is required to comply with the State Environmental Quality Review Act, which generally requires an assessment of environmental impacts of the proposed action, if any.

- Tolls on the Verrazano-Narrows Bridge and the Throgs Neck Bridge, which were constructed pursuant to the General Bridge Act of 1946, 33 U.S.C. 525 et seq., may be subject to the standard imposed by Section 135 of the Federal-Aid Highway Act of 1987, Pub.L. 100-17, that tolls on bridges constructed under the authority of certain Federal legislation, including the General Bridge Act of 1946, be "just and reasonable." MTA Bridges and Tunnels believes that the tolls on all of its vehicular toll facilities are just and reasonable.

Resident Token, Discount and Rebate Programs.

- The MTA Bridges and Tunnels Act was amended in 1981 to require that residents of Broad Channel and the Rockaway Peninsula be afforded the right to purchase tokens for the Cross Bay Veterans Memorial Bridge at a cost of 66-2/3% of the regular crossing fare.

- The MTA Bridges and Tunnels Act was further amended in 1983 to:

  ° eliminate the residency requirement for the purchase of reduced rate tokens for the Cross Bay Veterans Memorial Bridge,

  ° require the offering of tokens for the Marine Parkway-Gil Hodges Memorial Bridge at a cost of 66-2/3% of the regular crossing fare, and

  ° require the offering of tokens to residents of Richmond County (Staten Island) for the Verrazano-Narrows Bridge at a cost of 80% of the regular crossing fare.

- The MTA Bridges and Tunnels Act was amended in 1993 to provide that surcharges, in addition to the regular toll, imposed by MTA Bridges and Tunnels on the Verrazano-Narrows, Marine Parkway-Gil Hodges Memorial and Cross Bay Veterans Memorial Bridges shall not be treated as part of the regular crossing fare for the purpose of computing the reduced token cost discussed in this paragraph. The 1993 amendment also provided that residents of Staten Island, Broad Channel and the Rockaway Peninsula are entitled to a permanent exemption from any applicable surcharge imposed in 1993 on such bridges.

- MTA has a program to rebate the tolls for E-ZPass customers who are residents of Broad Channel and the Rockaway Peninsula using the Cross Bay Veterans Memorial Bridge. From July 23, 2010 to March 31, 2012, the resident discount E-ZPass crossing charge applied for the first two trips across the Bridge and only subsequent trips made during a calendar day using the same E-ZPass tag were eligible for the toll rebate. Effective April 1, 2012, the MTA has been using funds allocated by the Legislature to restore the rebate for tolls incurred on the first two trips made by eligible participants across the Cross Bay Veterans Memorial Bridge within a calendar day (using the same E-ZPass tag).

- A class action suit was filed in 2006 alleging unequal treatment by MTA Bridges and Tunnels on toll collection policies on certain bridges. See below under the caption "LITIGATION – MTA Bridges and Tunnels – *Janes, et al v. Triborough Bridge and Tunnel Authority, MTA, Walder and Ferrara*."

One-Way Collection in Staten Island. On March 20, 1986, in accordance with Federal law, MTA Bridges and Tunnels instituted one-way toll collection on the Verrazano-Narrows Bridge for all vehicles. Federal law now prohibits MTA Bridges and Tunnels from discontinuing one-way toll collection on vehicles exiting such bridge in Staten Island.

Current Toll Rates. Tolls were last increased effective March 3, 2013. For the Verrazano-Narrows Bridge, the two-axle passenger vehicle crossing charge (one-way collection) increased from $13 to $15, with a $4.34 reduction for E-ZPass customers with accounts at the New York Customer Service Center; the E-ZPass reductions do not apply to E-ZPass customers who do not have accounts at the New York Customer Service Center. For the Bronx-Whitestone Bridge, Hugh L. Carey (formerly the Brooklyn-Battery) Tunnel, Queens Midtown Tunnel, Robert F. Kennedy Bridge and Throgs Neck Bridge, the two-axle passenger vehicle crossing charge increased from $6.50 to $7.50, with a $2.17 reduction for E-ZPass users. For the Henry Hudson Bridge, the two-axle passenger vehicle crossing charge increased from $4.00 to $5.00, with a $2.56 reduction for E-ZPass users. For the Marine Parkway-Gil Hodges Memorial Bridge and the Cross Bay Veterans Memorial Bridge, the two-axle passenger vehicle crossing charge increased from $3.25 to $3.75, with a $1.75 discount for E-ZPass users. Additional charges apply for additional axles and/or weight. Certain resident discounts apply to the Verrazano-Narrows Bridge, the Marine Parkway-Gil Hodges Memorial Bridge and the Cross Bay Veterans Memorial Bridge.

A more complete description of the current toll structure is set forth in the Stantec Report under the caption "TOLL COLLECTION ON THE TBTA FACILITIES."

Minimum Toll Covenants in MTA Bridges and Tunnels Bond Resolutions. The MTA Bridges and Tunnels Senior Resolution and MTA Bridges and Tunnels Subordinate Resolution provide that:

- discounts to automobiles carrying not more than two persons may not exceed 20% of the regular crossing fare on any facilities other than the Henry Hudson Bridge, the Marine Parkway-Gil Hodges Memorial Bridge and the Cross Bay Veterans Memorial Bridge, on which latter facilities such discount may not exceed 33⅓%,

- the minimum undiscounted toll rate for automobiles carrying not more than two persons is at least $3.00 for each crossing over or through the Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge, the Throgs Neck Bridge, the Brooklyn-Battery Tunnel or the Queens Midtown Tunnel, $2.50 for each crossing over the Verrazano-Narrows Bridge, at least $1.50 for each crossing over the Henry Hudson Bridge, and at least $1.25 for each crossing over the Marine Parkway-Gil Hodges Memorial Bridge or the Cross Bay Veterans Memorial Bridge,

- in the event MTA Bridges and Tunnels shall impose a surcharge in addition to the regular toll rate, such surcharge shall not constitute part of the toll rate for purposes of computing the maximum discount described in the first bullet point above and MTA Bridges and Tunnels may provide exemptions from such surcharges without regard to the limits on maximum discounts,

- in the event MTA Bridges and Tunnels imposes different undiscounted toll rates for vehicles utilizing an electronic toll collection system and based upon time of day, day of week or period of the year mode of pricing, the limits on the maximum discounts shall be measured against the undiscounted toll rate applicable to the particular crossing, and

- the minimum crossing charge, however denominated, and after giving effect to any exemption, exclusion or discount, for automobiles carrying not more than two persons be at least $3.20 for each westbound crossing over the Verrazano-Narrows Bridge, at least $1.60 for each crossing over the Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge or the Throgs Neck Bridge or through the Brooklyn-Battery Tunnel or the Queens Midtown Tunnel and at least 66.7 cents for each crossing over the Henry Hudson Bridge, the Marine Parkway-Gil Hodges Memorial Bridge or the Cross Bay Veterans Memorial Bridge.

Limitations on Free Crossings. The MTA Bridges and Tunnels Senior Resolution and MTA Bridges and Tunnels Subordinate Resolution limit toll free crossings with respect to the MTA Bridges and Tunnels Facilities to (i) the vehicles of present and former MTA Bridges and Tunnels members, officers and employees, (ii) military, police, fire, ambulance and other emergency, service and maintenance vehicles, (iii) vehicles of persons employed on Wards Island or Randall's Island traveling to and from such Islands over the Robert F. Kennedy Bridge and (iv) other vehicles by passes or permits, provided that there shall not be more than 500 passes or permits outstanding at any one time.

Legislative Proposals. From time to time bills have been introduced by various State legislators seeking, among other things, to restrict the level of tolls on certain MTA Bridges and Tunnels Facilities, to require approval of future toll increases by the Governor, to eliminate minimum tolls or to require discounts or free passage to be accorded to certain users of MTA Bridges and Tunnels Facilities. Under the MTA Bridges and Tunnels Act, however, the State has covenanted to holders of MTA Bridges and Tunnels' bonds that it will not limit or alter the rights vested in MTA Bridges and Tunnels to establish and collect such charges and tolls as may be convenient or necessary to produce sufficient revenue to fulfill the terms of any agreements made with the holders of such bonds or in any way to impair their rights and remedies.

Legislation enacted in connection with the State's Fiscal Year 2006-2007 budget prohibits all public authorities, including MTA Bridges and Tunnels, from imposing, on and after June 1, 2006, a periodic administrative or other charge on electronic payment accounts, such as the E-ZPass toll collection system described below, for the privilege of using such electronic method of payment. The legislation does not prevent the authorities from making any charge for extra services requested by a holder of such electronic method of payment, any charge for lost or damaged equipment, or for defaults, such as charges for dishonored checks.

Competing Facilities and Other Matters

In addition to the Robert F. Kennedy, Bronx-Whitestone and Throgs Neck Bridges and Hugh L. Carey (formerly the Brooklyn-Battery) and Queens Midtown Tunnels, there are four vehicular bridges operated by the City crossing the East River which are toll-free at the present time, namely: the Queensborough, Williamsburg, Manhattan and Brooklyn Bridges. In addition to the Robert F. Kennedy and Henry Hudson Bridges, there are nine vehicular bridges crossing the Harlem River, which are toll-free at the present time. The City has explored, from time to time, the possibility of tolling some or all of these bridges to raise revenue for the City and/or the MTA; however, MTA Bridges and Tunnels cannot predict the effect that the tolling of such bridges will have on its revenues if it occurs.

The State agrees in the MTA Bridges and Tunnels Act that while any bonds of MTA Bridges and Tunnels are outstanding, there will not be constructed any vehicular connection competitive with the MTA Bridges and Tunnels Facilities and crossing (a) the East River north of 73rd Street or south of 59th Street in Manhattan, (b) New York Bay, or (c) Jamaica Bay or Rockaway Inlet to Rockaway Peninsula within a specified distance (approximately 2½ miles) east of the Cross Bay Veterans Memorial Bridge. There is no provision in the MTA Bridges and Tunnels Act regarding competitive vehicular crossings over the Harlem River.

Under the MTA Bridges and Tunnels Senior Resolution and MTA Bridges and Tunnels Subordinate Resolution, the owners of the MTA Bridges and Tunnels bonds waive the foregoing agreement of the State with respect to the construction of any East River vehicular toll crossing to be operated by MTA Bridges and Tunnels.

A significant reduction in the availability of fuel to motorists would, or significant increases in the cost thereof could, have an adverse effect on the revenues derived from the MTA Bridges and Tunnels Facilities. The use of automobiles in the New York City metropolitan area is subject to increased governmental concern and promulgation of governmental regulations relating to environmental and other concerns restricting the use of vehicles, which could also adversely affect revenues from the MTA Bridges and Tunnels Facilities. The Clean Air Act

Amendments of 1990 (the "Clean Air Amendments") require the State to adopt transportation control strategies and measures to control emissions, and establish among other matters, specific measures the State may adopt to reduce air pollution. The impact on MTA Bridges and Tunnels and revenues from the MTA Bridges and Tunnels Facilities of the Clean Air Amendments and the State implementation plan that must be developed thereunder cannot be assessed at this time.

Revenues derived from the MTA Bridges and Tunnels Facilities could also be adversely affected by the condition of arteries feeding and approach and access roads leading to and from such facilities over which MTA Bridges and Tunnels has no control. A number of those arteries and approach and access roads are in need of significant repairs. The ongoing NYSDOT construction underway at the Alexander Hamilton Bridge may impact traffic on the Robert F. Kennedy Bridge, and to a lesser extent, the Throgs Neck and Bronx Whitestone Bridges. There is a possibility that traffic diversions to the Verrazano Narrows and Henry Hudson Bridges may occur. Revenues have been and may hereafter be affected by access to, and conditions and restrictions on use of, the toll-free facilities over which MTA Bridges and Tunnels has no control and which compete with MTA Bridges and Tunnels' facilities. The Stantec Report referenced in this Appendix A under the caption "MTA Bridges and Tunnels – Total Revenue Vehicles" also lists current and proposed construction projects that could adversely affect bridge and tunnel use.

E-ZPass

MTA Bridges and Tunnels employs an electronic toll collection system, E-ZPass, at all of its bridges and tunnels. MTA Bridges and Tunnels' E-ZPass program generally requires prepayment on behalf of the customers. Substantially all of the E-ZPass users prepay with credit cards or checks.

MTA Bridges and Tunnels is a founding member of the E-ZPass IAG, which has grown to include toll authorities in Delaware, Pennsylvania, New Jersey, New York, Maryland, Massachusetts, Virginia, West Virginia, New Hampshire, Illinois, Indiana, Maine, the Peace Bridge between Buffalo, New York and Fort Erie, Ontario, Rhode Island and Ohio. Payments are settled among all such entities after use of the facilities. MTA Bridges and Tunnels transfers significantly more cash to IAG members than it receives from them, which at times could adversely affect MTA Bridges and Tunnels' cash position.

The following chart shows the amount of annual transfers to and from other IAG members by MTA Bridges and Tunnels during the last six years.

Year	Transfers to IAG Members (in millions)	Transfers from IAG Members (in millions)
2007	$370.5	$246.3
2008	452.3	253.8
2009	495.2	278.4
2010	507.4	312.0
2011	547.6	350.9
2012	679.6	356.1

MTA Bridges and Tunnels has negotiated agreements with commercial entities (such as parking facility operators) whereby the electronic media can be used to purchase goods and services. E-ZPass Plus is currently available to customers for use at Albany International Airport, Syracuse Hancock International Airport, John F. Kennedy International Airport, LaGuardia Airport and Newark International Airport. MTA Bridges and Tunnels may expand the use of agreements with commercial entities.

For 2012:

- overall E-ZPass market share was 81.0%;
- average weekday E-ZPass market share was 82.9%; and
- average weekend E-ZPass market share was 76.5%.

In 2008, MTA Bridges and Tunnels began E-ZPass-On-The-Go, a program that enables customers to purchase a prepaid E-ZPass tag and account kit at participating retailers and, beginning in 2012, in the cash toll lanes at each facility and at MTA mobile vans. The program has been very successful and in 2012, more than 117,000 On-the-Go accounts were opened, which was more than 53% of total E-ZPass accounts opened during the year. The tag is sold in 144 retailers and 578 stores in the metropolitan area.

In another initiative, MTA Bridges and Tunnels launched its MTA Reload Card pilot program in February 2012. This program allows customers to replenish their accounts with cash to receive an MTA credit/debit type card that is directly linked to their E-ZPass accounts. Customers can go to any one of thousands of Visa ReadyLink retail merchants throughout the New York region and use the card to reload their E-ZPass accounts with cash through a self-service kiosk or through a sales clerk. This eliminates the need for customers who previously had to travel to one of three walk-in centers in Yonkers, Queens, or Staten Island to add cash to their E-ZPass accounts. The card is designed for people who want greater cash control and either do not have or do not want to use a credit card for E-ZPass. Receipts are provided to the customers at the completion of the reload transaction. Through January 2013, more than 42,000 cards have been issued to customers and nearly 11% of total cash replenishments were made using the reload cards.

MTA Bridges and Tunnels began a pilot in January 2011 at the Henry Hudson Bridge to test All Electronic Toll Collection ("AET") operations. In the first phase (implemented in January 2011), toll gates were removed at the Henry Hudson, enabling peak hour throughput to increase from approximately 800 to 1,000 vehicles per hour. The implementation of cashless tolling at the facility began on November 10, 2012. All motorists are now able to use any lane to drive through the toll plaza without stopping. There is no change for drivers who use E-ZPass. For customers without an E-ZPass tag, an image is taken of their license plate and the registered driver receives a bill in the mail. For November and December combined, 91.2% of total crossings were processed through E-ZPass and 8.8% were "Tolls By Mail" transactions. The purpose of the pilot is to test both the new technologies required to collect video images from passing vehicles and the back-office systems to collect tolls from registered owners of vehicles without an E-ZPass tag. The pilot will also help determine the operational and financial issues in a cashless environment. The data collected from this pilot will be used to evaluate and guide future toll collection and toll plaza reconstruction plans.

PART 6. REGULATORY, EMPLOYMENT, INSURANCE AND LITIGATION MATTERS

FEDERAL AND STATE LAWS

General

Federal and State laws concerning, among other things, protection of the environment and access to transportation and non-transportation facilities by the physically disabled will require future operating and capital expenditures by the Related Entities. Those expenditures are material. Many of the projects undertaken in connection with such legal requirements are being funded through MTA Capital Programs.

Future Federal and State laws and regulations concerning matters such as the environment and access by the physically disabled could subject the Related Entities to additional operating and capital costs, which costs may be material.

Transit System

Environmental. MTA New York City Transit is currently the subject of a cleanup consent decree with a State governmental entity. Underground storage tanks have been replaced. Capital expenditures will continue for site remediation in accordance with the decree.

Access for Persons with Disabilities. MTA New York City Transit is in substantial compliance with the Americans with Disabilities Act of 1990, as amended, (the "ADA"), with the exception of meeting bus stop announcement requirements. At year-end 2012, the bus stop announcements performance criteria reflected 63% compliance, an increase of two percentage points from the 61% reported for 2011. MTA New York City Transit has also received approval from the Federal Transportation Administration to meet the requirement to provide certain alterations for access by persons with disabilities over a twenty-year period. MTA New York City Transit is also subject to certain provisions of the State Public Buildings Law (the "Public Buildings Law") relating to facilities for the physically disabled, under which its key station accessibility requirements under the ADA, and the Public Buildings Law are extended to 2020.

Commuter System

Environmental. MTA Long Island Rail Road and MTA Metro-North Railroad are required to file annual reports with the New York State Department of Environmental Conservation ("NYSDEC") identifying areas of environmental concern. MTA Long Island Rail Road and MTA Metro-North Railroad have each incurred and will continue to incur costs of asbestos abatement and lead paint removal on their respective properties. The Commuter Capital Programs allocate funds for, among other matters, asbestos abatement, costs of fuel handling and storage, and wastewater treatment and environmental remediation. MTA Long Island Rail Road and MTA Metro-North Railroad each are required to clean up various conditions on properties they own or operate, and each has established reserves for the clean-up costs. MTA Long Island Rail Road has completed interim remediation on up to 20 substations for mercury contamination due to the utilization of mercury rectifiers that were removed during the 1970's. Ten (10) substations have been fully remediated as per NYSDEC regulations and final remediation on the ten (10) remaining substations under NYSDEC process oversight is on-going. Work continues to progress on all MTA Long Island Rail Road substation remediation projects. State environmental agencies are monitoring the remediation of pollutants at certain MTA Long Island Rail Road and MTA Metro-North Railroad facilities. The extent of pollution, the cost of clean-up and MTA Long Island Rail Road's and MTA Metro-North Railroad's liability, if any, which may be material, cannot be determined at this time.

Access for Persons with Disabilities. MTA Long Island Rail Road and MTA Metro-North Railroad are in full compliance with ADA requirements.

MTA Bridges and Tunnels

General. MTA Bridges and Tunnels regularly reviews its facility maintenance programs, both remedial and preventive, and believes the same to be of high quality. MTA Bridges and Tunnels intends to continue its comprehensive inspection and maintenance programs for the MTA Bridges and Tunnels Facilities and to continue to engage independent engineering firms to provide biennial inspections of its bridge and tunnel facilities. MTA Bridges and Tunnels' independent engineers, Stantec, have reviewed the inspection reports of the bridges and tunnels undertaken by MTA Bridges and Tunnels' engineering consultants. The Stantec Report is attached to the Continued Disclosure Filings as Appendix E and, for convenience, has also been posted on the MTA website under "About the MTA – Financial Information – Investor Information" at www.mta.info. The Stantec Report is included by specific cross-reference herein.

Environmental. MTA Bridges and Tunnels' Capital Programs incorporate the removal and clean-up of lead paint on its bridges and tunnels in compliance with Federal, State and local laws, codes and regulations.

Bridge Inspections. The New York State Department of Transportation ("NYSDOT") maintains a program of comprehensive bridge management, maintenance and inspection applicable to MTA Bridges and Tunnels' bridges. That program includes the uniform code of bridge inspection, which:

- meets or exceeds applicable Federal law,
- requires that bridges be inspected at least every two years in accordance with the provisions of that code,
- prescribes qualifications for licensed professional engineers who inspect bridges, and
- requires that all bridge inspections be performed or supervised by such persons.

Bridge inspection and maintenance reports must be filed with NYSDOT and NYSDOT may close bridges found unsafe for public use. MTA Bridges and Tunnels is in compliance with the NYSDOT program.

Tunnel Inspections. In accordance with engineering and construction procedure, regular tunnel inspections of selected tunnel elements are performed on an as needed basis, the frequency of which are determined by the Manager of Structural Engineering in conjunction with the Tunnel Facility Engineer. An in-depth tunnel inspection of the tunnel structural, electrical and mechanical systems and other ancillary structures, buildings, roadways, and plazas are performed at approximately 10-year intervals. See also the Stantec Report included as Appendix E hereto.

EMPLOYEES, LABOR RELATIONS AND PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

General

The transportation services provided by the Related Entities, as well as related maintenance and support services, are labor intensive. Consequently, the major portion of the Related Entities' expenses consists of the costs of salaries, wages and fringe benefits for employees and retirees.

The employees of MTA and its affiliates and subsidiaries, other than MTA Long Island Rail Road and MTA Metro-North Railroad, are prohibited by the State's Taylor Law from striking. Nevertheless, represented employees of MTA New York City Transit and MaBSTOA engaged in an illegal three-day strike in December 2005. There have been no labor stoppages at MTA Bridges and Tunnels since 1976. The Taylor Law also requires the Transport Workers Union Local 100 (the "TWU") (and permits other unions) and MTA New York City Transit and MaBSTOA to submit a dispute preventing the voluntary resolution of contract negotiations to binding arbitration before a three-member public arbitration panel upon the occurrence of certain events. The three-member panel would be chosen as follows: one member appointed by MTA, one member by the affected union, and one member appointed jointly by the parties. Almost all of the unions covered by the Taylor Law have elected to be bound by the Taylor Law's binding arbitration provisions.

The employees of MTA Long Island Rail Road and MTA Metro-North Railroad are not subject to the same State prohibition, but are governed by Federal railroad employment statutes.

MTA Headquarters

As of December 31, 2012, MTA Headquarters had 1,325 employees (full and part time). Included in the MTA Headquarters staff are 677 police officers represented by the Police Benevolent Association, 20 commanding officers, represented by the Commanding Officers Association, and 60 clerical/administrative employees represented by the International Brotherhood of Teamsters. The MTA is currently in contract negotiations with all 3 unions.

Most of the employees of MTA Headquarters, other than the MTA police officers, are members of the New York State and Local Employees' Retirement System ("NYSLERS"). The MTA police officers are members of the MTA Defined Benefit Pension Plan, which has a substantial unfunded accrued actuarial liability ("UAAL"). MTA is required to make significant actuarial required contributions to the respective plans on a current basis. See Footnote 4 to the Combined Financial Statements of MTA for more information relating to the MTA Defined Benefit Pension Plan, as well as the Required Supplementary Information attached thereto that sets forth information relating to the UAAL.

MTA Business Service Center and Other MTA Offices

The Business Services Center has 420 employees, approximately 240 of whom are represented by several clerical/administrative unions. The largest such union, representing 207 employees, is the Transportation Communications Union (TCU), whose contract expires on March 31, 2015.

By collective bargaining agreement, newly hired TCU-represented employees do not participate in a pension plan, but instead are eligible to participate in a 401K Plan.

There are also 71 employees in the MTA Inspector General's office, none of whom are union-represented.

Transit System

MTA New York City Transit is comprised of the New York City Transit Authority and its subsidiary, MaBSTOA. As of December 31, 2012, New York City Transit Authority had 38,204 employees (full and part time), 35,592 of whom were represented by 20 different unions. As of December 31, 2012, MaBSTOA had 7,414 employees (full and part time), 5,570 of whom were represented by 10 different unions. As of December 31, 2012, there were 31,972 active employees represented by the TWU, of which New York City Transit Authority had 27,072 and MaBSTOA had 4,900. The current TWU contract expired on January 15, 2012. The negotiations with the TWU are on-going. The New York City Transit Authority and MaBSTOA will be or are currently bargaining with a number of relatively smaller hourly and supervisory unions over successor collective bargaining agreements. These unions include the ATU (Amalgamated Transit Union Locals #1056 and #726 with 3,132 employees and with the current contracts having expired on January 15, 2012), the SSSA (Subway Surface Supervisors Association, with 3,535 employees and with the current contracts having expired on January 7, 2010), the TSO (Transit Supervisors Organization TWU Local 106 Operating and Queens Divisions, with 674 employees and with the current contracts having expired on June 7, 2010) and TSO (Transit Supervisors Organization Subways Station Supervisors Level II with 105 employees and with the current contract having expired on March 3, 2010).

Employees of MTA New York City Transit are members of the New York City Employees' Retirement System ("NYCERS"). Employees of MaBSTOA have a separately funded pension plan that offers benefits similar to NYCERS. The MaBSTOA pension plan has an UAAL. As of January 1, 2012, 7,732 active employees and 5,976 retirees participated in the MaBSTOA Pension Plan. As of January 1, 2012 the UAAL was $858.5 million and the funding ratio was 65.4%. Amortization of the UAAL was $127.5 million in 2012. MTA New York City Transit and MaBSTOA are required to make significant actuarial required contributions to the respective plans on a current basis. See Footnote 7 to the Consolidated Financial Statements of MTA New York City Transit for more information. See also the Required Supplementary Information attached to the Combined Financial Statements of MTA that sets forth information relating to the UAAL.

MTA Bus

As of December 31, 2012, MTA Bus had 3,787 employees (full and part time), 89% (3,352) of whom are represented by four different unions. MTA Bus has contracts with TWU, Local 100 representing 62% (2,062) of its represented employees that expired on January 15, 2012. The union has not yet requested negotiation for a successor agreement. MTA Bus has contracts with ATU, Local 1179 representing 23% (766) of its represented employees that ended in May 2009 and ATU, Local 1181 representing 7% (233) of its employees that ended in June 2009. ATU Locals 1179 and 1181 have filed for interest arbitration. The remaining 10% are members of a union of first line supervisors, and the parties have yet to come to terms on an initial collective bargaining agreement.

The companies that formerly operated the City Bus Routes had a number of different pension plans. MTA, on behalf of MTA Bus, has amended the MTA Defined Benefit Pension Plan to include retirement programs which replicate the benefits provided by the prior plans. MTA Bus makes significant actuarial required contributions to the plan on a current basis. See Footnote 4 to the Combined Financial Statements of MTA for more information relating to the MTA Defined Benefit Pension Plan, as well as the Required Supplementary Information attached thereto that sets forth information relating to the UAAL.

Commuter System

As of December 31, 2012, MTA Long Island Rail Road had approximately 6,468 employees, approximately 5,728 of whom were represented by 10 different unions. For the period January 1, 2007 through June 15, 2010, agreements were reached with unions representing all MTA Long Island Rail Road represented employees. MTA Long Island Rail Road is currently in negotiations with all the unions representing its employees, and the previous collective bargaining agreements remain in place as required by the Railway Labor Act, the federal statute governing labor-management relations in the railroad industry.

As of December 31, 2012, MTA Metro-North Railroad had 6,161 employees, 5,188 of whom were represented by 18 different unions with a total of 22 different bargaining units. For the period 2005-2010, MTA Metro-North Railroad and 18 unions representing approximately 5,188 employees reached agreement. All unions and bargaining units adopted collective bargaining agreements effective through July 15, 2010. MTA Metro-North Railroad is currently in negotiations with all the unions representing its employees, and the previous collective bargaining agreements remain in place as required by the Railway Labor Act, the federal statute governing labor-management relations in the railroad industry.

Management has been engaged in negotiation with the Metro-North and Long Island Rail Road unions and in some cases reached agreements that subsequently failed to win union ratification. Several of the unions are now in mediation pursuant to federal law and, in some instances, have sought binding arbitration.

Both MTA Long Island Rail Road and MTA Metro-North Railroad supplement benefits provided under the Federal Railroad Retirement Act through other pension plans. The post-1987 employees of MTA Long Island Rail Road and almost all the employees of MTA Metro-North Railroad participate in the MTA Defined Benefit Pension Plan.

As of January 1, 2012, pre-1988 MTA Long Island Rail Road retired employees numbering 6,188 and current employees numbering 483 participated in The Long Island Rail Road Company Pension Plan and The Long Island Rail Road Plan for Additional Pensions. The Long Island Rail Road Company Pension Plan was merged into the MTA Defined Benefit Pension Plan in 2006 and consequently the UAAL for that Plan is now reported under the MTA Defined Benefit Pension Plan. In the case of the Long Island Rail Road Plan for Additional Pensions, significant portions of the estimated obligations are currently unfunded. As of January 1, 2012, the total UAAL was $1.196 billion and the Funded Ratio was 26.8%. Starting in 2004, MTA Long Island Rail Road has been amortizing these costs over 29 years. The 2012 expense budget cost associated with the UAAL for these MTA Long Island Rail Road plans was $116.0 million.

In comparison, the unfunded liability in the MTA Defined Pension Plan noted above is substantially smaller. As of January 1, 2012, the unfunded liability in the MTA Defined Benefit Plan was $508.7 million with a Funded Ratio of 81.3%. The cost of this unfunded liability is allocated to all participating MTA agencies, including MTA Long Island Rail Road and MTA Metro-North Railroad.

See Footnote 4 to the Combined Financial Statements of MTA for more information on the pension plans, as well as the Required Supplementary Information attached thereto that sets forth information relating to the UAAL.

MTA Bridges and Tunnels

As of December 31, 2012, MTA Bridges and Tunnels had 1,719 employees, 1,333 of whom were represented by four different unions. The Local 1931 collective bargaining agreement covering 313 employees expired on October 14, 2009 and the union has filed for impasse arbitration proceedings in accordance with civil service law. The Bridge and Tunnel Officers Benevolent Association collective bargaining agreement covering 623 employees expired on May 17, 2009, the Local 1655 collective bargaining agreement covering 58 employees expired on March 2, 2010, and the Superior Officers Benevolent Association collective bargaining agreement covering the remaining 180 represented employees expired on March 14, 2009. The terms of these agreements remain in effect by operation of law until a successor agreement is concluded or an award in arbitration has been rendered.

Substantially all of MTA Bridges and Tunnels' employees are eligible to be members of NYCERS and MTA Bridges and Tunnels is required to make significant annual contributions on a current basis. See Footnote 7 to MTA Bridges and Tunnels' financial statements for more information.

Capital Construction

As of December 31, 2012, MTA Capital Construction had 138 employees, none of whom are union represented.

MTA Staten Island Railway

As of December 31, 2012, MTA Staten Island Railway had 271 employees, 242 of whom were represented by three different unions. The UTU (United Transportation Union representing a majority of the represented employees) was issued an interest arbitration award that modified the existing terms and conditions of employment through June 15, 2010. The TCU (covering all clerical staff, tower operators, station agents and janitors), and the ATDD (representing the train dispatchers) have signed contracts through June 15, 2010. Currently all represented employees are working under terms that have expired.

Employees of MTA Staten Island Railway are members of the MTA Defined Benefit Pension Plan with benefits similar to what NYSLERS offers Tier 4 members. MTA Staten Island Railway is required to make significant annual contributions to the plan on a current basis. See Footnote 4 to the Combined Financial Statements of MTA for more information relating to the MTA Defined Benefit Pension Plan, as well as the Required Supplementary Information attached thereto that sets forth information relating to the UAAL.

OPEBs

In addition to pensions, the Related Entities provide other post-employment benefits ("OPEB") that vary among the agencies. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The MTA's audited financial statements are in compliance with GASB Statement No. 45, and information relating to OPEB disclosure is set forth in Footnote 5 to the Combined Financial Statements of MTA.

MTA has adopted certain methods and assumptions to determine the 2012 expense for OPEB and to amortize the liability, as summarized in Footnote 5 to the Combined Financial Statements of MTA. In addition, in 2009, MTA established an OPEB trust to receive and hold contributions to fund the OPEB obligations. Currently, the OPEB trust holds $250 million.

INSURANCE

General

MTA's Department of Risk and Insurance Management ("MTA RIM") is responsible for administering the insurance programs for the Related Entities, including obtaining insurance. Marsh, USA serves as MTA's master insurance broker and Marsh Management Services, Inc. acts as the captive manager for the MTA captive subsidiary, First Mutual Transportation Assurance Corporation (i.e., FMTAC).

The insurance needs of the Related Entities vary. One of the biggest differences relates to how employees are covered for injuries on the job. The recovery by employees of the Related Entities other than the commuter railroads who get injured on the job is limited by the State workers' compensation law. Recoveries by employees of the commuter railroads are governed by Federal law, and are not limited by State law, and, consequently, they can sue for damages under the Federal Employers Liability Act if they are injured on the job.

The Related Entities maintain insurance coverage through MTA's captive insurance company subsidiary, FMTAC, and through the commercial marketplace. MTA RIM, which also serves as the staff of FMTAC, sets the insurance premiums for the Related Entities at levels that are expected to be sufficient to purchase the commercial insurance or reinsurance, or permit FMTAC to pay the claims and costs for claims administration. Since its creation, FMTAC, with funding from the Related Entities, has assumed greater responsibility for the direct insurance and reinsurance risk of the Related Entities.

FMTAC is licensed in New York State as both a direct insurer and as a reinsurer. When FMTAC is a direct insurer, it may reinsure all or a portion of its potential liabilities with commercial reinsurers. FMTAC retains independent entities to handle the claims administration process. FMTAC may deposit certain of its assets in trust with third parties in order to secure its insurance or reinsurance obligations under some of the insurance policies.

New York State Department of Financial Services regulations require that every captive insurance company licensed in the State be audited by State regulators every three to five years for compliance with State regulations and generally accepted accounting standards. FMTAC's second audit covering the period from January 1, 2004 to December 31, 2010 was completed during 2012 and a favorable sign-off from the State Insurance Department was received on August 2, 2012.

The major insurance policies are maintained for the benefit of the Related Entities, and the expiration dates of such policies are set forth in the following chart:

Insurance Program	Expiration Date
Property Insurance	April 30, 2013
Commuter Stations and Force Liability	December 14, 2013
FMTAC Excess Loss Fund	October 31, 2013
Commercial Excess Liability Policy	October 31, 2013
All Agency Protective Liability	May 31, 2013
Paratransit and Non-Revenue Vehicle Policies	February 28, 2014
Premises Liability	December 6, 2013
Builder's Risk	Various
Owner Controlled Insurance Programs	Various

Property Insurance Program

Property Insurance. The all-agency property insurance program was renewed by FMTAC effective May 1, 2012 for an annual period expiring April 30, 2013. Under this existing program, FMTAC directly insures property damage claims of the other MTA Group entities in excess of a $25 million per occurrence self-insured retention ("SIR"), subject to an annual $75 million aggregate as well as certain exceptions summarized below. The total program limit is $1.075 billion per occurrence covering property of the related entities collectively. FMTAC is reinsured in the domestic, Asian, London, European and Bermuda marketplaces for this coverage.

Losses occurring after the retention aggregate is exceeded are subject to a deductible of $7.5 million per occurrence. In addition to the noted $25 million per occurrence self-insured retention, MTA self-insures above that retention for an additional $25.88 million within the overall $1.075 billion per occurrence property program, as follows: $1.59 million (or 1.06%) of the primary $150 million layer, plus $7.5 million (or 3%) of the primary $250 million layer, plus $8 million (or 4%) of the $200x/s $150 million layer plus $5.64 million (or 2.82%) of the $200 x/s $250 million layer and $3.15 million (or .7%) of the $450 x/s $350 million layer.

The property insurance policy provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with certain exceptions and subject to certain sub-limits. The policy also provides extra expense and business interruption coverage. Acts of terrorism (both domestic and foreign) are covered under the Terrorism Risk Insurance Program described below.

Property Insurance Program for 2013-2014. FMTAC is in the process of establishing a new all-agency property insurance program to cover property damage and business interruption risks during the annual period commencing May 1, 2013. The existing MTA all-agency property program, which expired April 30, 2013, was in place when Tropical Storm Sandy caused MTA to sustain substantial damage to its property and loss of income from business interruption. MTA has received insurance proceeds, and anticipates receiving additional recoveries, for Sandy-related damages and losses under that property insurance policy. See "FINANCIAL PLANS AND CAPITAL PROGRAM—Subsequent Developments—Tropical Storm Sandy." Post-Tropical Storm Sandy, FMTAC is encountering substantially reduced capacity and markedly higher pricing in conventional property reinsurance markets for coverage of catastrophic perils such as flood and storm surge in the New York City metropolitan area.

The all-agency property insurance program for the forthcoming 2013-2014 policy year is in the process of being ceded within conventional property reinsurance markets. It is expected that the resulting program will provide MTA Group entities, after a $25 million per occurrence self-insured retention, with an estimated $500 million in property damage coverage, including protection against flood and storm surge perils. All reinsurers participating in the new property insurance program will be accepting elimination of a $150 million coverage sub-limit contained in the expiring policy for flood-caused damage to property situated in FEMA Flood Zone A, which will result in expanded coverage for flood damage for MTA Group transportation assets located within Flood Zone A in the new policy period. However, coverage for the new policy year will not mirror the total program limits of the expiring property policy, a reflection of the limits in the capacity offered by conventional property reinsurance markets to FMTAC for catastrophic peril coverage at higher "excess" layers. MTA and FMTAC are examining non-traditional reinsurance markets or capital markets risk transfer alternatives as means to possibly supplement the noted $500 million in property coverage expected to be ceded to conventional reinsurance markets.

Terrorism Risk Insurance. With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 85% of "certified" losses, as covered by the Terrorism Risk Insurance Act ("TRIA") of 2007 (originally introduced in 2002). Under the 2007 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. The remaining 15% of MTA Group losses arising from an act of terrorism are subject to coverage under the additional terrorism policy described below. Additionally, no federal compensation will be paid unless the aggregate industry insured losses exceed $100 million ("trigger").

To supplement the reinsurance to FMTAC through the 2007 Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") program, the MTA obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces for the policy year commencing May 1, 2012 and expiring on April 30, 2013. That policy provides coverage for (1) 15% of any "certified" act of terrorism — up to a maximum recovery of $180.41 million for any one occurrence and in the annual aggregate, (2) the TRIPRA FMTAC captive deductible (per occurrence and on an aggregated basis) that applies when recovering under the 15%"certified" acts of terrorism insurance or (3) 100% of any "certified" terrorism loss which exceeds $5 million and less than the $100 million TRIPRA trigger — up to a maximum recovery of $100 million for any occurrence and in the annual aggregate. Recovery under this policy is subject to a retention of $25 million per occurrence and $75 million in the annual aggregate — in the event of multiple losses during the policy year. Should the MTA Group's retention in any one year exceed $75 million future losses in that policy year are subject to a retention of $7.5 million. This coverage expires at midnight on May 1, 2013. FMTAC has been able to bind renewal of the terrorism reinsurance coverage on terms of coverage substantially similar to the expiring reinsurance policy.

Commuter Stations and Force Liability

- *Commuter Station Liability Insurance*. FMTAC directly insures MTA Long Island Rail Road and MTA Metro-North Railroad under the stations policy, which covers third party liability, bodily injury and property damage and personal injury at commuter rail passenger stations, including moving train hazards while confined to the station area, and includes elevators, escalators, platforms, appurtenances, land, approaches and parking lots, if they are owned by the Related Entities. These policies insure up to the Self-Insured Retention set forth in the table included under the caption "FMTAC Excess Loss Fund" per occurrence with no aggregate stop loss protection.

- *Commuter Force Account Insurance*. FMTAC directly insures MTA Long Island Rail Road and MTA Metro-North Railroad under the force account policy, which covers third party liability, physical damage and medical payments on commuter rail force account work (i.e., employees of the commuter railroads in the course of doing work for the benefit of the Related Entities) reimbursed by others. These policies insure up to the Self-Insured Retention set forth in the table included under the caption "FMTAC Excess Loss Fund" per occurrence with no aggregate stop loss protection.

- The cost of the stations insurance is factored into the level of station maintenance payments required to be paid by the City and the counties in the MTA Commuter Transportation District. See "REVENUES OF THE RELATED ENTITIES – Financial Assistance and Service Reimbursements from Local Municipalities – Commuter System Station Maintenance Payments" in Part 2.

On December 15, 2012, FMTAC increased the primary coverage on the Station Liability and Force Account liability policies from $9 million to $10 million for MTA Metro-North Railroad and MTA Long Island Rail Road.

FMTAC Excess Loss Fund

FMTAC operates an excess liability insurance program ("ELF") that insures certain claims in excess of the self-insured retention limits of the agencies on both a retrospective (claims arising from incidents that occurred before October 31, 2003) and prospective (claims arising from incidents that occurred on or after October 31, 2003) basis. The self-insured retention limits, by agency, are set forth in the table below. The maximum amount of claims arising out of any one occurrence is the total assets of the program available for claims, but in no event greater than $50 million. The retrospective portion contains the same insurance agreements, participant retentions, and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. On a prospective basis, FMTAC issues insurance policies indemnifying the MTA, its subsidiaries and affiliates above their specifically assigned self-insured retention with a limit of $50 million per occurrence with a $50 million annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2012, the balance of the assets in this program was $68.4 million.

Related Entity	Self-Insured Retention (in millions of dollars) 10/31/06 - 10/31/09	10/31/09 - 10/31/12	10/31/12 to Present
MTA New York City Transit MaBSTOA MTA Long Island Rail Road MTA Metro-North Railroad MTA Bus	$8	$9	$10
MTA Staten Island Railway MTA LI Bus*	$2.3	$2.6	$3
MTA Bridges and Tunnels MTA Headquarters	$1.6	$1.9	$2.6

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA and its subsidiaries and affiliates additional coverage limits of $350 million, for a total limit of $400 million ($350 million in excess of $50 million). In certain circumstances, when the assets in the program described in the preceding paragraph are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of $50 million.

Through 2012 and to date, the Excess Loss Fund has paid approximately $10.6 million, as the Fund's share of two settlements that exceeded an agency self-insured retention. These cases were as follows:

- *Kusz v. MTA Bus.* Plaintiff, crossing the street, came into contact with an MTA Bus bus, sustaining injuries to her right arm and right leg that resulted in amputations and multiple fractures. Trial resulted in a verdict of $20.3 million. In 2013 this case settled for $17.2 million. MTA Bus's self-insured retention was $8 million at the time of the accident. FMTAC's excess loss program paid $9.2 million.

- *Sanders v. NYCT.* A man was struck by a train after falling from the platform at the Winthrop Avenue station in Brooklyn. Following trial, a jury awarded plaintiff $10.355 million in gross damages, apportioning 70% liability to MTA New York City Transit and 30% liability to the plaintiff. In April 2011, the Appellate Division affirmed the verdict, subject to a small reduction. The case settled for $8.35 million in November, 2011. FMTAC's excess loss fund paid $1.412 million in 2012.

The following are pending cases and claims that could result in payments under this liability policy in excess of agency retentions, as well as certain noted claims that closed in the past year without payment from the excess loss fund:

- *Ortiz v. NYCT.* This case involves injuries sustained by a 36-year-old woman who, while riding her bicycle was struck by an MTA New York City Transit express bus. The woman sustained injuries to her legs, feet and pelvis and has undergone multiple surgeries. The complaint was served November 3, 2010; discovery is ongoing. FMTAC's excess loss fund program would be responsible for any amount in excess of the retention of $9 million at the time of the event.

- *Sampanthar v. NYCT.* This case involves a 67-year-old male pedestrian who was struck by a bus making a left turn, sustaining serious head injuries. The complaint was served in December 2009. This case settled in 2012 without payment from FMTAC's excess loss fund.

* The MTA subsidiary Metropolitan Suburban Bus Authority discontinued its provision of transportation services at the end of 2011. Its activities are limited to the winding up of its affairs. FMTAC excess loss coverage remains in place only with respect to claims arising out of MTA LI Bus incidents which occurred on or before December 31, 2011.

- *Signorelli v. NYCT.* This case involves a 56-year-old SIRTOA electrical maintainer who suffered an on-the-job electrical shock injury on May 22, 2007 at the Eltingville Electrical Substation in Staten Island, sustaining serious injuries. Plaintiff asserted claims against Con Edison and NYCT based upon Labor Law Section 200. Plaintiff also asserted claims of negligent training and negligent supervision of SIRTOA, its employees and its safety protocols against NYCT. This claim settled in 2012 without payment from FMTAC's excess loss fund.

- *Cropper v. NYCT.* This case involves a bicyclist who suffered injuries when he was knocked in front of an NYCT bus when a taxi driver opened his car door. The case was tried in April, 2011 resulting in a verdict for $9.1 million with 70% liability assessed against NYCT. The case is on appeal. FMTAC's excess liability program would be responsible for any amount in excess of the retention amount of $7 million at the time of the event.

- *Sanchez v. NYCT.* The plaintiff in this case is a 28-year-old pedestrian who was struck by a NYCT bus turning left, sustaining serious injuries. Discovery is proceeding. On the date of the accident, NYCT's self-insured retention was $9 million. FMTAC's excess loss program would be responsible for any amount in excess of the self-insured retention.

- *Lorenzo v. TBTA.* The plaintiff alleges that she and her six year old son were struck while crossing the entrance ramp to the Robert F. Kennedy Bridge in July 2010 along the passenger side of an MTA Bridges and Tunnels wrecker, when the wrecker began to move in response to a call for assistance. The child passed away on July 30, 2010. The wrongful death action includes a claim for emotional distress associated with being in the zone of danger when her son was struck and killed by the wrecker. Depositions are proceeding. On the date of the accident, MTA Bridges and Tunnels' self-insured retention was $1.9 million. FMTAC's excess loss program would be responsible for any amount in excess of the self-insured retention.

- *Breitkopf v. MTA.* The widow of a Nassau County Police Officer who was killed in a "friendly fire" incident on March 12, 2011 served a complaint in March 2012 for an unspecified amount of compensatory and punitive damages. The complaint, which was filed in Brooklyn federal court, names as defendants the MTA, the MTA Police Department, certain MTA police officers, and several private individuals. The MTA defendants served an answer to the amended complaint on August 15, 2012 and discovery is proceeding. On the date of the accident, MTA's self-insured retention was $1.9 million. FMTAC's excess loss program would be responsible for any amount in excess of the self-insured retention.

- *Rooney v. LI Bus.* This matter involves a 49 year old pedestrian who was struck by a bus of the Metropolitan Suburban Bus Authority on November 15, 2011 at the LI Bus Hempstead Terminal. He sustained injuries and underwent multiple surgeries. An action was commenced in Supreme Court, Nassau County on May 16, 2012. The case is in discovery. On the date of the accident, Metropolitan Suburban Bus Authority's self-insured retention was $2.6 million. FMTAC's excess loss program would be responsible for any amount in excess of the self-insured retention.

All Agency Protective Liability

- *FMTAC All-Agency Protective Liability Program*. Under the All-Agency Protective Liability Program ("AAPL"), FMTAC directly insures the Related Entities against claims arising out of work performed by independent contractors on capital projects. The policy provides coverage of $2 million per occurrence.

- *Commercial All-Agency Protective Excess Liability Program*. FMTAC obtained commercial insurance to provide excess coverage for the Related Entities on top of the AAPL. The policy provides coverage of $8 million in excess of $2 million per occurrence, with a $16 million annual aggregate. Any excess is covered by the FMTAC Excess Loss Fund policy.

Paratransit and Non-Revenue Vehicle Policies

- *MTA New York City Transit Paratransit Program*. FMTAC maintains a commercial policy that provides automobile liability coverage for all vendors hired to perform services on behalf of MTA New York City Transit's Paratransit Access-A-Ride program with policy limits of liability of $3 million per occurrence, subject to a $1 million deductible. On March 1, 2013, the "Access-A-Ride" automobile liability policy program was renewed.

- *MTA Non-Revenue Auto Liability*. This program covers non-revenue vehicles (i.e., administrative and other vehicles not used for the generation of passenger revenues) of MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Staten Island Railway, MTA Police, the MTA Inspector General, MTA Headquarters and MTA Bus. FMTAC obtained a commercial policy that provides coverage to the above entities with a $9 million per occurrence combined single limit and a $500,000 deductible for each accident. On March 1, 2013, the non-revenue fleet automobile liability policy program was renewed. FMTAC also renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible.

- The paratransit program and non-revenue auto liability policies are currently issued by the same commercial vendor.

- Claims and claims administration are funded out of the General Operating Account.

Premises Liability

Premises Liability insurance covers liability arising out of the ownership, maintenance and use of various MTA locations, including 341/345/347 Madison Avenue, 2 Broadway, and the MTA Inspector General's lease of 2 Penn Plaza. The program provides the Related Entities with coverage of up to $1 million per occurrence with a $2 million aggregate.

Owner Controller Insurance Program

In an owner controller insurance program ("OCIP"), MTA RIM arranges for the insurance coverage for all of the construction activity covered by the OCIP, rather than reimbursing the individual contractors and subcontractors for obtaining their own insurance. OCIPs have historically been regarded as more economical than requiring the contractors and subcontractors to obtain the insurance directly. Economies arise from, among other things, the risk pooling nature of the program (i.e., the risks relating to insuring each individual project separately is generally considered greater than the risks associated with collectively insuring many projects) and that the MTA, due to its financial strength and successful operation of safety management programs at the job sites, is generally better able to procure insurance at favorable rates than individual smaller contractors and subcontractors. In addition, an OCIP provides the same level of insurance coverage at each project, which was not always possible when the individual contractors and subcontractors were required to obtain the insurance.

Generally, commercial insurance policies are obtained for the OCIP, but FMTAC will typically retain a significant portion of each insured loss which ranges from the first $250,000 or $1,500,000 of each insured workers compensation or general liability loss up to the first $50 million of a builders risk loss on a network expansion project. FMTAC holds deposit moneys and/or collateral in trust with a commercial bank as security for its reimbursement obligation to the commercial insurance carrier for any losses. Unexpended funds are returned to the Related Entities at the conclusion of the program. The following are active MTA OCIPs:

- MTA New York City Transit Station, Escalators and Elevators (2000-2004 Program)
- MTA New York City Transit Line Structures, Shops, Yards and Depots (2000-2004 Program)
- MTA Long Island Rail Road East Side Access
- MTA Long Island Rail Road and MTA Metro-North Railroad 2000-2004 MTA Capital Programs
- MTA New York City Transit 2005-2009 MTA Capital Program
- MTA New York City Transit Second Avenue Subway

- ° MTA Long Island Rail Road and MTA Metro-North Railroad 2005-2009 MTA Capital Programs
- ° MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad, SBMP 2010-2014 Capital Programs.

Builder's Risk

- Builder's Risk insurance is a type of property insurance that provides coverage for physical damage to the insured structure during the course of construction. Builder's Risk insurance is not liability insurance.

- Builder's Risk for the Capital Program OCIPs covers a project for the full project value up to a limit of either $50 million or $100 million depending upon the program and/or the value of the project. The East Side Access Project has a limit of $300 million and Second Avenue Subway has a limit of $500 million.

- Claims and claims administration are funded out of the General Operating Account.

LITIGATION

General

The Related Entities maintain extensive property, liability, station liability, force account, construction and other insurance as generally described above in this Part 6 under "INSURANCE." Claims for money damages described below may be fully or substantially covered by insurance, subject to the individual agency retention set forth under "INSURANCE – FMTAC Excess Loss Fund," where applicable. Each of the Related Entities additionally annually budgets an amount that it projects will be sufficient to pay for judgments and claims during that year.

The Related Entities also provide accruals in their financial statements for their estimated liability for claims by third parties for personal injury arising from, among other things, bodily injury (including death), false arrest, malicious prosecution, and libel and slander, for property damage for which they may be liable as a result of their operations, and advertising offense, including defamation, invasion of right of privacy, piracy, unfair competition and idea misappropriation. The estimated liabilities are based upon independent actuarial advice obtained by the Related Entities. However, except in special circumstances and except for the annual judgments and claims budgeted amounts, additional cash reserves are not generally established in an amount equal to the full amount of the accrual.

MTA

Mobility Tax Litigation. The MTA, along with the State of New York and various officials of the State of New York (the "State Defendants"), has been defending several actions commenced in New York State Supreme Court challenging the constitutionality of the legislation that enacted the payroll mobility tax (Chapter 25 of the Laws of 2009). Chapter 25 of the Laws of 2009, among other things, imposes a tax on payrolls (the Mobility Tax) and certain other taxes and fees within the MTA Commuter Transportation District, to provide funding supporting mass transportation to MTA. The plaintiffs include five counties - Suffolk, Nassau, Westchester, Rockland, and Putnam - a number of towns and villages, a public school district, and certain private plaintiffs. The actions (listed by abbreviated caption) are: *Hampton Transportation Ventures, Inc. v. Silver; Town of Southampton and Town of Southold v. Silver; Town of Brookhaven v. Silver; Town of Huntington v. Silver; William Floyd Union Free School District v. State of New York; Mangano and County of Nassau v. Silver; Vanderhoef and County of Rockland v. Silver;* and *Town of Smithtown v. Silver*.

All but two of these cases challenging the payroll mobility tax have been dismissed at the trial court level or voluntarily discontinued with prejudice. Summary judgments were granted to MTA and the State Defendants, who are represented by the State Attorney General, ordering dismissal of four of the lawsuits which had been pending in Supreme Court, Albany County. Three of the proceedings were dismissed by Justice Connolly on September 15, 2011: *Town of Brookhaven v. Silver*; *Town of Huntington v. Silver*; and *Town of Southampton and Town of Southold v. Silver*. (The Towns of Brookhaven and Huntington noticed appeals from the judgments of dismissal but did not timely perfect those appeals; the Towns of Southampton and Southold did not notice an appeal from the judgment of dismissal.) The *Vanderhoef/County of Rockland* action was dismissed by Justice McNamara on April 12, 2012. Plaintiffs have appealed the dismissal to the Appellate Division, Third Department. MTA's and State Defendants' opposition briefs are to be filed by May 3, 2013. In addition, stipulations to discontinue their actions with prejudice were filed on October 21, 2011 in the *Hampton Transportation Ventures* action which had been pending in Supreme Court, Albany County before Justice Connolly and on January 19, 2012 in the *William Floyd Union Free School District* action, which was pending in the Supreme Court, New York County.

In the remaining two actions (commenced by the County of Nassau and the Town of Smithtown), which were consolidated before Justice Cozzens of the Supreme Court, Nassau County, motions for summary judgment by Nassau County and other plaintiffs, as well as cross-motions for summary judgment against all of the plaintiffs by the MTA and the State Defendants, were decided on August 22, 2012 and a final judgment was entered on October 1, 2012. Although the judgment does not contain any order directing any of the defendants to stop collection, transfer or application of the MTA payroll mobility tax, Justice Cozzens ruled that the MTA payroll mobility tax was passed unconstitutionally, based upon his conclusion that the legislation enacting the tax did not address a matter of substantial state concern and therefore required passage either with a Home Rule message or by two-thirds vote in each House of the State legislature. This "Home Rule"-based challenge to the 2009 legislation that adopted the MTA payroll mobility tax was explicitly considered and rejected by Justices Connolly and McNamara in the four actions noted above that already upheld the constitutionality of the legislation that enacted the MTA payroll mobility tax. In those prior actions, the Justices each determined the legislation in question addressed a matter of substantial state concern and so was not subject to Home Rule requirements.

The MTA and the State of New York both appealed Justice Cozzens's inconsistent judgment to the Court of Appeals, which transferred the appeals to the Appellate Division, Second Department. The appeal has been fully briefed and argued and is *sub judice*.

MTA, based upon its review of the claims asserted, strongly believes that the two actions consolidated in Nassau County, much as the other noted lawsuits challenging the constitutionality of Chapter 25 of the Laws of 2009 that have been dismissed, are without merit. MTA intends to continue to defend vigorously the constitutionality of the law in question in these actions, the outcomes of which must await further determinations by the courts.

County of Nassau v. MTA, Long Island Rail Road Company, and Metropolitan Suburban Bus Authority. Plaintiff commenced this action in the Supreme Court, Nassau County in 2001, seeking to declare illegal, void and unenforceable two capital funding agreements it entered into with MTA, LIRR and/or Metropolitan Suburban Bus Authority, in 1996 and 1999. The County alleged that the MTA acted unlawfully and in excess of its grant of statutory power and/or authority in advancing money to the County pursuant to the 1996 and 1999 agreements. MTA, LIRR, and Metropolitan Suburban Bus Authority filed an answer and counterclaims seeking compensatory damages of at least $13.636 million for breach of contract, conversion, promissory estoppel, unjust enrichment, and violation of fiduciary duty, as well as declaratory and injunctive relief. MTA's motion to change the venue of the action to New York County from Nassau County was granted in late April 2009. Thereafter, MTA moved successfully for summary judgment. An order and judgment dismissing Nassau County's complaint and awarding MTA judgment on its counterclaims in the amount of $18.666 million were entered on March 8, 2011. Nassau County appealed both that order and judgment and the denial of its subsequent motion for leave to renew and reargue. On October 25, 2012, the Appellate Division, First Department unanimously affirmed the lower court's order granting summary judgment and its order denying Nassau County's motion for renewal. Though no justice dissented, Nassau County asked the Appellate Division, First Department for leave to appeal to the Court of Appeals, which was denied. Nassau County has now moved the Court of Appeals for leave to appeal. MTA has opposed the motion, resolution of which is expected in the near future.

Lockheed Martin Transportation Security Solutions v. MTA Capital Construction and MTA. The MTA is a defendant, along with MTA Capital Construction, in an action brought in April 2009 by Lockheed Martin Transportation Security Solutions (Lockheed) in federal district court in Manhattan. Lockheed initially sought judgment declaring that MTA and MTA Capital Construction were in breach of its contract for furnishing and installing an integrated electronic security (IESS) program, and an order terminating Lockheed's obligations. Following MTA's termination of its contract, Lockheed amended its complaint to seek damages for delay and disputed work items ($80 million, later revised to $93 million) or, alternatively, for the alleged "reasonable value of work performed" by Lockheed ($137 million, later revised to $149 million) based on its claim that MTA wrongfully terminated the contract. MTA and MTA Capital Construction are vigorously contesting Lockheed's claims for money damages and have counterclaimed, alleging that Lockheed materially breached the contract and seeking damages which are estimated to exceed $176 million. Lockheed has indicated that it intends to move for summary judgment and MTA has indicated that it will cross-move for summary judgment. MTA cannot determine the final outcome of the litigation at this time.

In July 2009, Lockheed's performance bond sureties on the contract commenced a related action in federal district court in Manhattan against Lockheed and the MTA defendants, alleging that they are unable to conclude that the conditions to their obligations under the bond have been satisfied. They seek a declaration of the rights and obligations of the parties under the bond. (*Travelers Casualty and Surety Company, et. al v. MTA, MTA Capital Construction, New York City Transit, et. al.*) MTA and MTA Capital Construction answered and counterclaimed against the sureties, seeking damages in connection with the sureties' violation of their bond obligations in an amount to be determined at trial. The matter has been consolidated with the *Lockheed* action. The sureties have indicated that they will also be filing a summary judgment motion against MTA, which will proceed on the same track as the motions by MTA and Lockheed. MTA cannot determine the outcome of the litigation at this time.

Actions for Personal Injuries/Property Damage/Workers' Compensation. As of December 31, 2012, there were approximately 38 actions and claims pending against the MTA claiming damages for personal injuries sustained while on duty, including actions under the Federal Employers' Liability Act (FELA), no-fault cases, and other torts. Also as of that date, there were approximately 342 pending Workers' Compensation cases.

Transit System

Actions for Personal Injuries/Property Damage. As of December 31, 2012, MTA New York City Transit and MaBSTOA had an active inventory of 8,425 personal injury claims and lawsuits and 2,485 property damage matters arising out of the operation and administration of the Transit System. In addition, with respect to the Access-A-Ride (Paratransit) program, as of December 31, 2012, there was an active inventory of approximately 945 personal injury cases and approximately 145 property damage cases arising out of the operation of vehicles leased to outside vendors that provide Access-A-Ride service. Access-A-Ride claims are covered by a commercial policy which in 2012 had policy limits of $3 million per occurrence, subject to a $1 million deductible.

As of December 31, 2012, the Staten Island Rapid Transit Operating Authority ("SIRTOA") had a pending inventory of 17 claims and lawsuits relating to personal injury and property damage arising from the operations of SIRTOA.

Workers' Compensation and No-Fault. As of December 31, 2012, MTA New York City Transit and MaBSTOA had an active inventory of approximately 12,940 Workers' Compensation cases and approximately 3,404 no-fault cases. As of December 31, 2012, there were 13 Workers' Compensation cases for SIRTOA employees who had been classified as permanently disabled, entitling the claimants to continuing monthly benefits and payment of future related medical expenses, as well as two death cases.

Actions Relating to the Transit Capital Program. MTA New York City Transit has received claims from several contractors engaged in work on various Capital Program projects. The aggregate amount demanded by all such claimants, if recovered in full, could result in an increase in the cost of the capital projects that are the subject of such disputes. The capital program contemplates the payment of such claims from project-specific and general program contingency funds, as well as other available monies pledged for capital purposes.

Other Litigation. As of December 31, 2012, the General Law and Contracts Division had an inventory of approximately 357 cases, consisting of federal and state court plenary litigation actions and special proceedings as well as administrative matters pending before various state, federal and local administrative agencies. One such pending federal lawsuit, commenced in 2012, is described below.

Colella v. NYCTA and MaBSTOA. This action, commenced in the United States District Court, Southern District of New York in August 2012, seeks damages for alleged violations of the federal Fair Labor Standards Act ("FLSA"). Specifically, plaintiff claims that his position has been wrongfully classified as exempt under the FLSA and that he has been denied payments to which he asserts entitlement pursuant to the FLSA on various grounds. Plaintiff purports to bring this action as a collective, *i.e*. opt-in class action and may seek certification of a conditional class of similarly situated employees. The case is in a preliminary stage and its final outcome cannot be determined at this early juncture.

Commuter System

Actions for Personal Injuries/Property Damage. As of December 31, 2012, MTA Metro-North Railroad had an active inventory of approximately 440 personal injury claims and lawsuits arising out of the operation and administration of the MTA Metro-North Railroad, of which 237 were the result of claims filed by employees pursuant to the Federal Employers' Liability Act (FELA), and approximately 203 were claims filed by third parties. Also, as of that date, there was 1 pending property damage cases.

As of December 31, 2012, MTA Long Island Rail Road had an active inventory of approximately 1,376 personal injury claims and lawsuits arising out of the operation and administration of the MTA Long Island Rail Road, of which 828 were the result of claims filed by employees pursuant to FELA, and approximately 548 were claims filed by third parties. Also, there were approximately 189 pending property damage matters.

Actions Relating to the Commuter Capital Program. From time to time, MTA Long Island Rail Road and MTA Metro-North Railroad receive claims relating to various Capital Program projects. In general, the aggregate amount demanded by all such claimants, if recovered in full, could result in a material increase in the cost of the capital projects that are the subject of such disputes. The capital program contemplates the payment of such claims from project-specific and general program contingency funds, as well as other available moneys pledged for capital purposes.

MTA Bridges and Tunnels

Janes, et al. v. Triborough Bridge and Tunnel Authority, MTA, Walder, and Ferrara. This class action was filed in the United States District Court for the Southern District of New York in February 2006, alleging unequal treatment by MTA and MTA Bridges and Tunnels as a result of toll collection policy at the Verrazano-Narrows Bridge, Cross Bay Veterans Memorial Bridge, and Marine Parkway-Gil Hodges Memorial Bridge. The complaint alleges that the toll collection policy, which allows discounts for Staten Island and Broad Channel and Rockaway peninsula residents by statute and decision of the Board, unfairly discriminates against out-of-state residents and New Yorkers who do not live in those geographic areas. The complaint alleges violations of the Commerce, Privileges and Immunities, and Equal Protection Clauses of the U.S. Constitution, as well as the Equal Protection Clause of the New York State Constitution. The complaint seeks relief which includes: certification of the class of plaintiffs; a judgment declaring the toll collection policy unconstitutional; a preliminary and permanent injunction; restitution to the class of plaintiffs; and attorney's fees. The authorities filed an answer in May 2006. The case was subsequently stayed pending the issuance of the Second Circuit's decision in a similar case, *Selevan v. New York State Thruway Authority.* In *Selevan*, the plaintiffs challenged the validity under the United States Constitution of a discount afforded to residents of Grand Island, New York, on tolls for passage over the Grand Island Bridge, which is located entirely in New York and constitutes a portion of an interstate highway. On November 28, 2011, the district court in *Selevan* granted defendants' motion for summary judgment dismissing all claims against defendants of infringement of the right to travel under the Equal Protection Clause and Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution and the dormant Commerce Clause. On March 27, 2013, the Second Circuit issued a decision in *Selevan*, 2013 U.S. App. LEXIS 6140 (2d Cir. N.Y. Mar. 27, 2013), which affirmed the district court's decision, ruling that the strict scrutiny test did not apply because the Grand Island Bridge toll scheme was only a "minor restriction" on plaintiffs' right to travel and that the toll scheme was constitutional because it fairly approximated the plaintiffs' share of the costs of using the facilities, was not excessive in relation to the benefits conferred, namely access to a well maintained, trooper-patrolled highway which either enables or expedites passengers' travels, and did not discriminate against interstate commerce.

Plaintiffs' motion for class certification was decided by Judge Jones in a memorandum and order filed on October 5, 2011, which bifurcated the action into "liability" and "damages" phases; certified a class seeking only injunctive and declaratory relief for purposes of the liability phase; and deferred decision on whether, if plaintiffs succeed in the liability phase, a class could be certified for purposes of claimants seeking damages. By opinion and order dated January 23, 2012, Judge Engelmayer, to whom the case had been transferred, granted defendants' motion for reconsideration of the certified class to exclude persons who lack standing to sue including current residents of Staten Island, the Rockaway Peninsula, and Broad Channel, persons who no longer have a driver's license, and persons who have not crossed any of the bridges at issue within the two years preceding October 5, 2011. Pursuant to an amended scheduling order, as extended by the court, defendants' expert reports were served on October 3, 2012; plaintiffs had until November 19, 2012 to file their rebuttal expert reports, which they declined to do; expert discovery was completed in January 2013. The court scheduled a conference for May 29, 2013 regarding defendants' request to serve a motion for summary judgment.

The authorities believe that the challenged toll discounts are constitutional. The toll discounts are, with minor exceptions, mandated by sections 553-f, 553-h and 553-i of the Public Authorities Law, which require substantial discounts and exemptions from the regular tolls for residents of these communities. In the authorities' view, the Legislature's decision to grant residents of these communities relief from the full impact of the toll structure, and certain related decisions by the authorities' Board, represent appropriate transportation policy and do not involve any unconstitutional discrimination. The final outcome of the matter cannot be determined at this time.

Angus Partners LLC, et al. v. Walder, Ferrara, MTA and Triborough Bridge and Tunnel Authority. This putative class action was commenced in January 2011 in the United States District Court for the Southern District of New York. The complaint alleges that MTA Bridges and Tunnels is charging purportedly excessive and unreasonable tolls on its facilities and that various provisions of the United States Constitution and the common law of New York State are violated by the transfer of toll revenue to MTA and MTA New York City Transit because the subsidized transit services are not functionally related to MTA Bridges and Tunnels' facilities for motor vehicles. These surplus fund transfers are mandated by sections 569-c and 1219-a of the Public Authorities Law. In defendants' view, the Legislature's decision represents a lawful and appropriate transportation policy. Defendants answered the complaint in April 2011, denying the material allegations and asserting various defenses. The one-year discovery period has been extended by the court at the request of the parties so that fact discovery was completed by January 31, 2013; expert discovery is scheduled for completion on July 12, 2013; and plaintiffs' motion for class certification, if any, is due August 12, 2013. The schedule for dispositive motions, if any, is to be set after the court's decision on the class certification motion.

On July 30, 2012, the Court issued a *sua sponte* order directing the plaintiffs to submit a memorandum of law addressing whether and why the Court has subject matter jurisdiction over their claims in light of the Tax Injunction Act, 28 U.S.C. §1341 ("TIA"). That law prohibits a district court from enjoining, suspending or restraining the assessment or collection of a tax under State law where a State court can provide a speedy and efficient remedy. Plaintiffs filed their memorandum on August 27, 2012 asserting that the Court has subject matter jurisdiction. The defendants filed their response on September 14, 2012, setting forth their position that the tolls are not a tax within the meaning of the TIA and the Court therefore has subject matter jurisdiction over the case. The matter is *sub judice*.

Defendants intend to continue to vigorously defend the action. The final outcome of this matter cannot be determined at this time.

Actions for Personal Injuries/Property Damage. As of December 31, 2012, MTA Bridges and Tunnels had an active inventory of approximately 96 personal injury claims and lawsuits (including intentional torts such as false arrest) and approximately 7 property damage matters arising out of the operation and administration of the MTA Bridges and Tunnels facilities (including construction).

Workers' Compensation and No-Fault. As of December 31, 2012, MTA Bridges and Tunnels had an active inventory of approximately 316 Workers' Compensation cases and approximately 2 no-fault cases.

Actions Relating to MTA Bridges and Tunnels' Capital Program. From time to time, MTA Bridges and Tunnels receives claims relating to various Capital Program projects. In general, the aggregate amount demanded by all such claimants, if recovered in full, could result in a material increase in the cost of the capital projects that are the subject of such disputes. The capital program contemplates the payment of such claims from project-specific and general program contingency funds, as well as other available moneys pledged for capital purposes.

MTA Bus

As of December 31, 2012, MTA Bus had an active inventory of approximately 658 personal injury claims and lawsuits, approximately 592 property damage matters, approximately 497 no-fault cases arising out of the operation and administration of the MTA Bus System, and approximately 702 Workers' Compensation cases.

Metropolitan Suburban Bus Company*

Actions for Personal Injuries/Property Damage. As of December 31, 2012, Metropolitan Suburban Bus Authority had an active inventory of 376 personal injury claims and lawsuits, 5 property damage matters, and 122 open no-fault claims arising out of the operation and administration of the Metropolitan Suburban Bus Authority.

Workers' Compensation and No-Fault. As of December 31, 2012, Metropolitan Suburban Bus Authority had approximately 155 Workers' Compensation cases.

* The MTA subsidiary Metropolitan Suburban Bus Authority discontinued its provision of transportation services at the end of 2011. Its activities are limited to the winding up of its affairs.