

METROPOLITAN TRANSPORTATION AUTHORITY

**DEDICATED TAX FUND
OBLIGATION RESOLUTION**

**Adopted March 26, 2002
As Approved By The
Metropolitan Transportation Authority
Capital Program Review Board
on February 27, 2002**

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**DEDICATED TAX FUND
OBLIGATION RESOLUTION**

BE IT RESOLVED by the Members of the Metropolitan Transportation Authority as follows:

**ARTICLE I
STANDARD RESOLUTION PROVISIONS; DEFINITIONS**

Section 101. Standard Resolution Provisions. Except as otherwise specifically provided herein, by Supplemental Resolution or by Section A-102, the Standard Resolution Provisions appended hereto as **Annex A** constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

Section 102. Definitions. Except as the context shall otherwise require, capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Standard Resolution Provisions. The following terms shall, for all purposes of the Resolution, have the following meanings:

Capital Cost Obligations shall mean Obligations authenticated and delivered on original issuance pursuant to Section 203.

Capital Costs shall mean (i) the costs of the Issuer or any other Related Entity for the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of all or any part of the DTF Transit and Commuter Project, including costs of acquisition of real or personal property or any interests therein, legal, administrative, engineering, planning, design, studies, insurance, financing costs (including Costs of Issuance), and initial working capital required for the commencement of operation of any such project and any capital contributions, whether or not represented by equity or debt securities or other evidences of indebtedness made by the Issuer or any other Related Entity to any Person participating in a DTF Transit and Commuter Project for the purpose of funding any costs described in this clause (i); (ii) amounts paid into any Fund or Account upon the issuance of any Obligations; and (iii) payment when due (whether at the maturity of principal or on the due date of interest or upon redemption or when otherwise due, including by purchase or through tender or exchange) on any indebtedness or obligation of the Issuer or any other Related Entity which was issued or incurred to finance costs that could at the time of such payment be funded directly hereunder, including Obligations, Obligation Anticipation Notes, Parity Debt, Subordinated Indebtedness, Subordinated Contract Indebtedness, any termination or other payments for financial hedging arrangements, or any such indebtedness or obligation issued or incurred by any Related Entity in connection with the DTF Transit and Commuter Project.

COI Subaccount shall mean the applicable Subaccount by that name established in the Proceeds Fund for a Series of Obligations pursuant to Section 502.

Debt Service Fund shall mean the Fund by that name established in Section 502 consisting of an MTTF Receipts DS Account and an MMTOA Receipts DS Account.

Debt Service Year shall mean the 12 month period commencing on April 1 of each calendar year and ending on March 31 of the next succeeding calendar year except that the first Debt Service Year shall begin on the date specified in the Supplemental Resolution authorizing the first Series of Obligations to be issued hereunder.

Dedicated Mass Transportation Trust Fund or MTTF shall mean the fund established pursuant to Section 89-c of the State Finance Law, as amended, and entitled the "Dedicated Mass Transportation Trust Fund".

DTF Transit and Commuter Project shall mean any Transportation District Project that may be financed with obligations the payment of which may be secured by and paid from amounts in the MTA Dedicated Tax Fund in accordance with Section 1270-c of the Issuer Act.

Events of Default shall mean the events defined as such in Section 701.

Issuer shall mean the MTA.

MMTOA Account shall mean the Metropolitan Mass Transportation Operating Assistance Account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, as amended.

MMTOA Receipts shall mean all amounts deposited into the MTA Dedicated Tax Fund from amounts on deposit in the MMTOA Account pursuant to Section 88-a of the State Finance Law, as amended, or any other provision of law directing or permitting the deposit of money into the MTA Dedicated Tax Fund from such Account.

MMTOA Receipts DS Account shall mean the Account by that name established in the Debt Service Fund in accordance with Section 502.

MMTOA Receipts Subaccount shall mean the Subaccount by that name established in the Pledged Amounts Account in the MTA Dedicated Tax Fund by the Issuer as authorized by Section 504.

MTA Dedicated Tax Fund shall mean the Metropolitan Transportation Authority Dedicated Tax Fund established by the Issuer pursuant to Section 1270-c of the Issuer Act.

MTTF shall mean the Dedicated Mass Transportation Trust Fund.

MTTF Debt Service Account Requirement shall mean, with respect to each Series of Obligations and as of any date, an amount equal to the sum of (a) all interest and Principal Installments due and unpaid on any Obligations of such Series and on any Parity Debt as of such date and (b) an amount, calculated as of the last day of the month in which such calculation is made, equal to the sum of (i) the product of (A) the interest portion of Debt Service due on or in respect of all Outstanding Obligations of such Series and any Parity Debt as of the next succeeding interest payment date for such Series of Obligations and (B) a fraction, the denominator of which is never less than 1, but otherwise is 1 less than the number of months from the preceding interest payment date for the Obligations of such Series to the next interest payment date for such Obligations (or the date from which interest began to accrue on such Obligations if there is no preceding interest payment date for such Obligations), and the numerator of which is the number of months which will have elapsed as of the last day of the month in which such calculation is made from such preceding interest payment date for such Obligations (or the date from which interest began to accrue on such Obligations if there is no preceding interest payment date for such Obligations), and (ii) 10% of the Principal Installment (including in each case for purposes of this definition, principal components of Parity Debt) due on or in respect of such Obligations and Parity Debt on the next succeeding Principal Installment due date (20% for Principal Installments payable 6 months after the preceding Principal Installment) times the number of months which have elapsed since the preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date or such preceding Principal Installment due date is more than 1 year prior to the due date of such Principal Installment, then, from the later of a date 1 year preceding the due date of such Principal Installment and the date of, as appropriate, issuance or incurrence of the Obligations of such Series or of such Parity Debt); *provided, however, that* the amount calculated pursuant to clause (b)(i) above for any Series of Obligations shall never exceed the interest due and payable on such next succeeding interest payment date (including additional interest pursuant to any related Parity Debt) and the amount calculated pursuant to clause (b)(ii) shall never exceed the Principal Installment due on the next succeeding Principal Installment due date. For purposes of computing the MTTF Debt Service Account Requirement, the Obligations of a Series and any Parity Debt payable on each different interest payment date shall be treated as a separate Series, and if Obligations of any Series or any Parity Debt have different interest payment dates, such computation shall be done separately in respect of each such interest payment date.

MTTF Receipts shall mean all amounts deposited into the MTA Dedicated Tax Fund from amounts on deposit in the Dedicated Mass Transportation Trust Fund pursuant to subdivision (d) of Section 301-j of the Tax Law, as amended, Section 312(b) of the Tax Law, as amended, and any other provision of law directing or permitting the deposit of money on deposit in the Dedicated Mass Transportation Trust Fund into the MTA Dedicated Tax Fund.

MTTF Receipts DS Account shall mean the account by that name established in the Debt Service Fund in accordance with Section 502.

MTTF Receipts Subaccount shall mean the Subaccount by that name established in the Pledged Amounts Account in the MTA Dedicated Tax Fund by the Issuer as authorized by Section 504.

Obligations shall mean any bonds, notes, commercial paper or other form of indebtedness of the Issuer payable from the Debt Service Fund, authorized by Section 201 and delivered pursuant to Section 202 or authorized pursuant to Section A-203, but *excluding* Obligation Anticipation Notes to the extent payable from, and expected by an Authorized Officer to be paid from, the proceeds of Obligations or other Obligation Anticipation Notes.

Operating and Capital Costs Account shall mean the account by that name established in the MTA Dedicated Tax Fund pursuant to Section 1270-c of the Issuer Act.

Pledged Amounts Account shall mean the account by that name established in the MTA Dedicated Tax Fund by the Issuer pursuant to Section 1270-c of the Issuer Act.

Prior Lien Obligations shall mean obligations of the Issuer outstanding pursuant to the Prior Lien Resolution.

Prior Lien Resolution shall mean the Issuer's Dedicated Tax Fund Bond Resolution adopted by the Issuer on July 31, 1996, as amended and supplemented.

Proceeds Fund shall mean the Fund by that name established in Section 502.

Refunding Obligations shall mean all Obligations authenticated and delivered on original issuance pursuant to Section 204.

Resolution shall mean this Dedicated Tax Fund Obligation Resolution (including the Standard Resolution Provisions set forth in Annex A), as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms hereof.

Standard Resolution Provisions shall mean the Standard Resolution Provisions appended hereto as Annex A.

Subaccount or Subaccounts shall mean each subaccount or all of the subaccounts established in Section 502, as the case may be.

Trust Estate shall mean, collectively, but subject to the terms and provisions of Section 501, all right, title and interest of the Issuer in:

(i) the proceeds of the sale of the Obligations,

(ii) the Pledged Amounts Account in the MTA Dedicated Tax Fund, any money on deposit therein and any money received and held by the Issuer which is required to be deposited therein, and

(iii) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; provided, however, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF THE OBLIGATIONS

Section 201. Authorization of the Obligations.

1. The Resolution hereby authorizes Obligations of the Issuer designated as "Dedicated Tax Fund Obligations", which Obligations, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, may be issued in one or more Series or subseries. Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations which convert on a particular date or dates from Taxable Obligations to Tax-Exempt Obligations, or as Taxable Obligations which are mandatorily exchangeable on a particular date or dates for Tax-Exempt Obligations, or otherwise as determined by Supplemental Resolution and not contrary to the Resolution as then in effect. The Obligations shall be *special obligations* of the Issuer payable solely from the Trust Estate pledged to the payment thereof pursuant to subsection 1 of Section 501. The aggregate principal amount of the Obligations which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as may from time to time be limited by law.

2. The Obligations may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series or subseries, and the designations thereof, in addition to the name "Dedicated Tax Fund Obligations", shall include such further or different designations in such title for the Obligations of any particular Series or subseries as the Issuer may determine. Each Obligation shall bear upon its face the designation so determined for the Series or subseries to which it belongs.

3. Nothing in the Resolution shall be deemed to prevent the consolidation into a single Series or subseries for purposes of issuance and sale of Obligations otherwise permitted by the Resolution to be issued at the same time in two or more separate Series or subseries. In the event that separate Series or subseries are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution. Nor shall anything in the Resolution (except to the extent required by Supplemental Resolution) be deemed to prevent the separation into separate Series or subseries for purposes of issuance and sale of Obligations otherwise permitted by the Resolution to be issued in one Series or subseries.

4. Obligations may be issued for any of the purposes set forth in Sections 203, 204 or 205.

Section 202. General Provisions for Issuance of Obligations. Obligations may be issued pursuant to a Supplemental Resolution upon satisfaction of the provisions of Section A-201, except that the Opinion of Bond Counsel required by Section A-201.2(a)(iii) shall be to the effect that the Obligations are valid and binding *special obligations* of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Issuer Act as amended to the date of such Opinion of Bond Counsel.

Section 203. Special Provisions for Capital Cost Obligations.

1. The Obligations of one or more Series may at any time, or from time to time, be authenticated and delivered upon original issuance pursuant to this Section 203 to pay, or to provide for the payment of, all or part of the Capital Costs included in a Capital Program Plan (within the meaning of Section 1269-b of the Issuer Act or any successor provision) if a Capital Program Plan is then required.

2. The Obligations of each such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 202) of:

(1) A certificate of an Authorized Officer to the effect that the Issuer then is, and, upon the authentication and delivery of the Obligations of such Series, shall be, in compliance with all applicable provisions of the Issuer Act relating to the issuance, sale and delivery of such Obligations;

(2) A certificate of an Authorized Officer

(A) setting forth for any 12 consecutive calendar months ended not more than 6 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) setting forth the greatest amount for the then current or any future Debt Service Year of the sum of (a) Calculated Debt Service on all Outstanding Obligations, *including* the proposed Capital Cost Obligations and any proposed Refunding Obligations being treated as Capital Cost Obligations for purposes of clause (ii) of paragraph (5) of subsection 2 of Section 204 hereof 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 or Prior Lien Obligations; and

(C) stating (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) hereof is not less than 1.35 times the amount set forth in accordance with clause (B) hereof and (y) that the sum of the MTTF Receipts, MMTOA Receipts, and investment income set forth in clause (A) hereof is not less than 2.5 times the amount set forth in clause (B) hereof;

provided, however, that (I) if, on the date of delivery of such certificate, there is then and thereafter required to be deposited into the MTA Dedicated Tax Fund so as to constitute MTTF Receipts or into the MMTOA Account so as to constitute MMTOA Receipts or into the Pledged Amounts Accounts any other receipts, in each such case any amounts which were not required to be deposited therein during the entire 12 month period to which such certificate relates, the Issuer may include in such certificate the amount which an Authorized Officer estimates would have been deposited in the MTA Dedicated Tax Fund or the MMTOA Account during such period if such amounts had been required to be so deposited for such period; and (II) if, on the date of delivery of such certificate, the percentage of any amount collected by the State required to be deposited into the MTA Dedicated Tax Fund so as to constitute MTTF Receipts or into the MMTOA Account so as to constitute MMTOA Receipts is other than the percentage which was in effect for all or any portion of the 12 month period to which such certificate relates, the Issuer may include (but in the case of any decrease in the percentage, shall include) in such certificate for such entire 12 month period the amount which an Authorized Officer estimates would have been deposited in the MTA Dedicated Tax Fund or the MMTOA Account if such other percentage had been in effect for such entire 12 month period.

Section 204. Special Provisions for Refunding Obligations.

1. In addition to refinancings permitted under Sections 203 and 205, one or more Series of Refunding Obligations (in an aggregate principal amount which will provide funds, together with other money available therefor, to accomplish such refunding) may be authenticated and delivered upon original issuance to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Obligations or Parity Debt.

2. The Refunding Obligations of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee, in addition to the documents required by Section 202, of:

(1) If the Obligations or Parity Debt to be refunded are to be redeemed, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice of redemption of all the Obligations or Parity Debt so to be refunded on a redemption date specified in such instructions;

(2) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the second sentence of subsection 2 of Section A-1101 or similar provision with respect to Parity Debt, instructions to the Trustee and/or the trustee for the Parity Debt, satisfactory to it, to give due notice in the manner provided in the second sentence of subsection 2 of Section A-1101 or similar provision with respect to Parity Debt with respect to the payment of the said Obligations or Parity Debt pursuant to said Section or provision;

(3) If the Obligations or Parity Debt to be refunded are to be deemed paid within the meaning of the second sentence of subsection 2 of Section A-1101 or similar provision with respect to Parity Debt, (i) money and/or (ii) Defeasance Securities as shall be necessary to comply with the provisions of the second sentence of subsection 2 of Section A-1101 or defeasance securities as shall be necessary to comply with any similar provision with respect to Parity Debt, which Defeasance Securities (or defeasance securities) and money shall be held in trust and used only as provided in Section A-1101 or similar provision with respect to Parity Debt;

(4) If the proceeds of such Series of Refunding Obligations are to be utilized by the Issuer to purchase (in connection with a tender for or redemption of Obligations or Parity Debt, or otherwise) Obligations or Parity Debt to be delivered to the Trustee in satisfaction of a Sinking Fund Installment in accordance with subsection 3 of Section A-502 or similar provision with respect to Parity Debt, a certificate of an Authorized Officer specifying the matters required thereby; and

(5) Either (i) a certificate of an Authorized Officer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations (*including* the Refunding Obligations then proposed to be issued but *excluding* the Obligations or Parity Debt to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations as calculated immediately prior to the issuance of the Refunding Obligations (*including* the Obligations or Parity Debt to be refunded or purchased but *excluding* the Refunding Obligations) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Obligations and Parity Debt for any future Debt Service Year during the term of the Obligations set forth pursuant to (B) above; or (ii) the certificate provided for in clause (2) of subsection 2 of Section 203 with respect to such Series of Refunding Obligations, considering for all purposes of such certificate that such Series of Refunding Obligations is a Series of Capital Cost Obligations and that the Refunding Obligations then proposed to be issued will be Outstanding but the Obligations or Parity Debt to be refunded will no longer be Outstanding.

The proceeds, including accrued interest, of the Refunding Obligations of each such Series shall be applied simultaneously with the delivery of such Obligations in the manner provided in the Supplemental Resolution authorizing such Obligations.

Section 205. Obligations to Refund Pre-existing Indebtedness. 1. Obligations may be authenticated and delivered upon original issuance in one or more Series or subseries for the purpose of refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) or substituting the security or sources of payment for any Pre-existing Indebtedness.

2. Any Series of Obligations issued for the purpose of refunding any Pre-existing Indebtedness shall be so authenticated and delivered only upon receipt by the Trustee, in addition to the documents required by Section 202, of an Opinion of Bond Counsel to the effect that such Pre-existing Indebtedness has been exchanged, paid or is deemed to have been paid within the meaning and with the effect expressed in the related authorizing resolution or other document, which opinion may rely upon a certificate of an Authorized Officer or an independent verification agent to the effect that sufficient money and defeasance securities have been placed in escrow to provide for the payment of the principal or Redemption Price of, and interest on, such Pre-existing Indebtedness as such obligations

mature, are tendered for purchase or exchange, or are called for redemption in accordance with the related authorizing resolution or other document. The proceeds received on the sale of such Obligations shall be applied in the manner provided in the Supplemental Resolution authorizing such Obligations and in any related escrow agreement.

3. Any Series of Obligations issued for the purpose of substituting the security or sources of payment for any Pre-existing Indebtedness shall be so authenticated and delivered (i) only upon receipt by the Trustee of documents required in connection with such substitution under the terms of the applicable series resolution authorizing the bonds the security for which is being substituted and (ii) without delivery of the items required by Section 202 except to the extent such items are required under the applicable series resolution.

ARTICLE III
FORM OF OBLIGATIONS

Section 301. Form of Obligations. Subject to the provisions of the Resolution and except as otherwise provided pursuant to a Supplemental Resolution, each Series of Obligations shall be issued as fully registered securities in substantially the form provided in Exhibit One. Any Authorized Officer executing and delivering any such Obligations may make such changes in the form thereof as deemed necessary or convenient by such Authorized Officer, including changes to conform with (i) the terms of sale, (ii) the provisions of the related Supplemental Resolution, (iii) the requirements of the related Securities Depository, provider of a Credit Facility or Rating Agency, (iv) industry practice or (v) federal, State or City regulatory requirements, and the execution (whether manual or by facsimile) and delivery of any such obligations shall be conclusive evidence of the approval of all terms thereof by such Authorized Officer.

**ARTICLE IV
REDEMPTION AT DEMAND OF THE STATE OR THE CITY**

Section 401. Redemption at Demand of the State or the City. Except as otherwise provided pursuant to a Supplemental Resolution, either the State or the City may, upon furnishing sufficient funds therefor, require the Issuer to redeem all or any portion of the Obligations as provided in the Issuer Act.

**ARTICLE V
MAINTENANCE AND ESTABLISHMENT OF FUNDS AND
ACCOUNTS AND APPLICATION THEREOF**

Section 501. The Pledge Effected by the Resolution.

1. There are hereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Obligations and, on a parity basis, Parity Debt, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Trust Estate. *The pledge created by the Resolution, insofar as it relates to any portion of the Trust Estate pledged pursuant to the Prior Lien Resolution, is, and is hereby expressly declared to be, (i) subordinate in all respects to the pledge thereof created pursuant to such Prior Lien Resolution and (ii) subject to the covenants and agreements made with the holders of obligations outstanding under the Prior Lien Resolution; and, so long as the lien of the Prior Lien Resolution remains, no payment shall be made from the Trust Estate, whether for interest, principal or premium on any of the Obligations, except as and to the extent permitted by the Prior Lien Resolution. In order to provide for the payment of the Obligations and Parity Debt and the fulfillment of its covenants and agreements hereunder so long as the lien of the Prior Lien Resolution remains, the Issuer shall, subject to the provisions of the Prior Lien Resolution, (i) transfer or cause to be transferred pursuant to paragraph fourth of Section 504.3 of the Prior Lien Resolution, free and clear of the lien and pledge of the Prior Lien Resolution, all amounts available to be transferred in accordance with the terms of the Prior Lien Resolution in order to fulfill the requirements of Section 504.3 hereof and (ii) transfer or cause to be transferred pursuant to paragraph fourth of Section 504.4 of the Prior Lien Resolution, free and clear of the lien and pledge of the Prior Lien Resolution, all amounts available to be transferred in accordance with the terms of the Prior Lien Resolution in order to fulfill the requirements of Section 504.4 hereof.*

2. The pledge created by subsection 1 of this Section 501 shall in all respects secure on a pari passu basis all of the Obligations and Parity Debt and, except as expressly so provided, nothing contained in the Resolution shall be deemed to confer on the Owners of any Obligations or Parity Debt any rights in the Trust Estate superior or inferior to the Owners of any other Obligations or Parity Debt.

3. The pledge created by subsection 1 of this Section 501 shall be valid and binding from and after the date of issuance and delivery of the first Obligations, and the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

4. Subject to the provisions of subsection 1 hereof, the Trust Estate and the MTTF Receipts and MMTOA Receipts are 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 Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken.

5. Nothing contained in this Section 501 shall be construed as limiting any authority granted to the Issuer elsewhere in the Resolution to issue or incur Obligation Anticipation Notes, Subordinated Indebtedness or Subordinated Contract Obligations or shall be deemed a limitation upon the authority of the Issuer to issue any other bonds, notes or other obligations under the Issuer Act secured by any income and funds other than the Trust Estate.

Section 502. Establishment of Funds, Accounts and Subaccounts.

1. The Proceeds Fund, which shall be held and administered by the Issuer, is hereby established.
2. The following Fund and Accounts therein, which shall be held and administered by the Trustee, are hereby established:
the Debt Service Fund consisting of
 - (i) the MTTF Receipts DS Account, and
 - (ii) the MMTOA Receipts DS Account.
3. Amounts held at any time by the Issuer or the Trustee in any of the Funds or Accounts established pursuant to this Section shall be held in trust separate and apart from all other funds. Subaccounts may be established by the Issuer in its discretion within the Accounts established pursuant to this Section upon the written direction of an Authorized Officer or by Supplemental Resolution. Additional funds, accounts or subaccounts may be created for other purposes upon the written direction of an Authorized Officer.

Section 503. Proceeds Fund and Application Thereof.

1. There shall be established within the Proceeds Fund a separate account ("Proceeds Account") for each Series of Obligations and within each such Account a separate COI Subaccount. Additional Subaccounts may be established by certificate of an Authorized Officer within each such Proceeds Account.
2. The Issuer shall pay into the Proceeds Fund and each Proceeds Account, if any, and each Subaccount, if any, such amounts as shall be provided for by Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes. The portion of any such amount determined by Supplemental Resolution to be used for the payment of Costs of Issuance shall be paid into and disbursed from the related COI Subaccount.
3. Unless otherwise provided for in a Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes, amounts in each Proceeds Account, if any, and each Subaccount, if any, shall be applied solely to the payment of Capital Costs in the manner and upon such conditions, if any, as the Issuer may provide in such Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes; *provided, however, that*, subject to any priority for Obligation Anticipation Notes, if on any interest payment date or Principal Installment due date the amounts in the Debt Service Fund shall be less than Debt Service payable on such date, the Issuer shall apply amounts from the Proceeds Fund to the extent necessary to make up the deficiency.

Section 504. MTA Dedicated Tax Fund; Application Thereof. 1. The Issuer has previously established in accordance with Section 1270-c of the Issuer Act the MTA Dedicated Tax Fund held by the Issuer consisting of a Pledged Amounts Account and an Operating and Capital Costs Account.

2. So long as any Obligations are Outstanding hereunder, and subject to the provisions of any Supplemental Resolution governing any Subordinated Indebtedness from time to time Outstanding, the Issuer shall establish and maintain in the Pledged Amounts Account an MTTF Receipts Subaccount and a MMTOA Receipts Subaccount. All MTTF Receipts shall be immediately deposited into the MTTF Receipts Subaccount and all MMTOA Receipts shall be immediately deposited into the MMTOA Receipts Subaccount. Amounts held at any time by the Issuer in the Pledged Amounts Account or any Subaccount therein shall be held in trust separate and apart from all other funds.

3. Amounts deposited in the MTTF Receipts Subaccount shall be immediately applied by the Issuer as follows:

first, transfer to the Trustee for deposit in the MTTF Receipts DS Account the amount necessary so that the amount on deposit in the MTTF Receipts DS Account shall equal the MTTF Debt Service Account Requirement;

second, transfer, free and clear of any lien, pledge or claim of the Resolution, to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations 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 Obligation; and

third, transfer, in the discretion of the Issuer, free and clear of any lien, pledge or claim of the Resolution, any remaining MTTF Receipts into the Operating and Capital Costs Account or as otherwise required or permitted by law.

4. After all amounts, if any, then on deposit in the MTTF Receipts Subaccount have been applied as set forth in subsection 3 above, amounts in the MMTOA Receipts Subaccount shall be immediately applied by the Issuer as follows:

first, transfer to the Trustee for deposit in the MMTOA Receipts DS Account the amount necessary so that the sum of the amounts on deposit in the MTTF Receipts DS Account and the MMTOA Receipts DS Account shall equal the MTTF Debt Service Account Requirement; and

second, transfer, free and clear of any lien, pledge or claim of the Resolution, to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations 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 Obligation; and

third, transfer, in the discretion of the Issuer, free and clear of any lien, pledge or claim of the Resolution, any remaining MMTOA Receipts into the Operating and Capital Costs Account or as otherwise required or permitted by law.

5. Investment income, if any, received on any amounts in any Subaccount in the Pledged Amounts Account shall be retained in such Subaccount and treated as either MTTF Receipts or MMTOA Receipts for purposes of this Section 504.

6. Amounts deposited into the Operating and Capital Costs Account shall be applied by the Issuer as provided in the Issuer Act.

Section 505. Debt Service Fund.

1. The Trustee shall deposit, upon receipt thereof, (i) into the MTTF Receipts DS Account all amounts transferred to the Trustee by the Issuer for deposit therein in accordance with subsection 3 of Section 504 and (ii) into the MMTOA Receipts DS Account all amounts transferred to the Trustee by the Issuer for deposit therein in accordance with subsection 4 of Section 504.

2. The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Obligations and any related Parity Debt, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment (including the portion thereof payable in respect of a Parity Reimbursement Obligation) payable on such due date; and (iii) on or before any redemption date for the Obligations or Parity Debt which occurs on any interest payment date, the amount required for the payment of interest on the Obligations or Parity Debt then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof.

In making such payment from the Debt Service Fund the Trustee shall apply to such payments, first, any amounts on deposit in the MTTF Receipts DS Account, and, second, to the extent necessary, any amounts on deposit in the MMTOA Receipts DS Account.

3. If on any date the sum of the amounts on deposit in the MTTF Receipts DS Account and the MMTOA Receipts DS Account exceeds the MTTF Debt Service Account Requirement calculated as of such date, the Trustee shall, unless directed by the Issuer not to make such application or transfer, first apply any or all of such excess to cure or reduce any deficiency then existing in any Fund or Account under the Resolution and then transfer any and all of the remaining amount of such excess on deposit in the MMTOA Receipts DS Account to the Issuer for deposit, in the discretion of the Issuer, into the Operating and Capital Costs Account or as otherwise required or permitted by law free and clear of any lien, pledge and claim under the Resolution.

4. In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon the direction of the Issuer, (a) withdraw from the MMTOA Receipts DS Account all or any portion of the amounts accumulated therein with respect to the Debt Service on the Obligations being refunded and deposit such amounts, free and clear of any lien, pledge or claim of the Resolution, with itself as Trustee or with an escrow agent to be held in trust solely for the purchase, exchange or payment of the principal or Redemption Price, if applicable, of and interest on the Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Obligations, or (c) deposit such amounts in any Fund or Account established hereunder; *provided, however, that* no such withdrawal or deposit shall be made unless (i) upon such refunding, the Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in Section A-1101, and (ii) at the time of and giving effect to such withdrawal and refunding, there shall exist no deficiency in any Fund or Account established under the Resolution.

5. In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon direction of the Issuer, withdraw from the MTTF Receipts DS Account all or any portion of the amounts accumulated therein with respect to Debt Service on the Obligations being refunded and (a) deposit such amounts, free and clear of any lien, pledge or claims of the Resolution, with itself as Trustee or with an escrow agent to be held in trust solely for the payment of the principal and Redemption Price, if any, of and interest on the Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Obligations, (c) deposit such amounts in any Fund or Account established under the Resolution, or (d) pay such amounts over to the Issuer free and clear of any lien, pledge or claim under the Resolution for deposit, in the discretion of the Issuer, into the Operating and Capital Costs Account or as otherwise required or permitted by law; *provided, however, that* no such withdrawal or deposit shall be made unless (i) upon such refunding, the Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in Section A-1101, (ii) at the time of and giving effect to such withdrawal and refunding, no amounts shall be on deposit in the MMTOA Receipts DS Account and there shall exist no deficiency in any Fund or Account established under the Resolution.

Section 506. Subordinated Indebtedness; Subordinated Contract Obligations.

1. The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer pursuant to clause "second" of either or both of Section 504.3 or 504.4; *provided, however, that* (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Obligations and Parity Debt and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness and Subordinated Contract Obligations as it deems appropriate.

2. The Issuer shall have the right to covenant with Persons to whom Subordinated Contract Obligations run and with the holders from time to time of Subordinated Indebtedness in order to add to the conditions, limitations and restrictions under which any additional Capital Cost Obligations or Refunding Obligations may be issued or Parity Debt may be incurred; *provided, however, that* the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness or the incurrence of such Subordinated Contract Obligations shall not permit the holders of such obligations to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable prior to any time that all Obligations and Parity Debt have become due and payable.

**ARTICLE VI
PARTICULAR COVENANTS OF THE ISSUER**

The Issuer covenants and agrees with the Trustee and the Owners of all Obligations as follows:

Section 601. Power to Issue Obligations and Effect Pledge.

1. The Issuer is duly authorized under all applicable laws to create and issue the Obligations, adopt the Resolution and pledge the Trust Estate in the manner and to the extent provided in the Resolution. Except as provided therein with respect to the Prior Lien Resolution, 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 Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Obligations and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate and all the rights of the Owners of Obligations under the Resolution against all claims and demands of all Persons whomsoever.

2. Until the pledge created in subsection 1 of Section 501 of the Resolution shall be discharged and satisfied as provided in Section A-1101, the Issuer shall not issue any bonds or other evidences of indebtedness, other than the Obligations and Parity Debt, secured by an equal or prior pledge of the Trust Estate or the MTTF Receipts or the MMTOA Receipts, nor create or cause to be created any equal or prior pledge of, or lien, charge or encumbrance on, any of the items comprising the Trust Estate or the MTTF Receipts or the MMTOA Receipts; *provided, however, that* nothing contained in the Resolution shall prevent the Issuer from at any time incurring any Parity Debt in accordance with Section A-201 or issuing Obligation Anticipation Notes secured as provided in Section A-203 or Subordinated Indebtedness or Subordinated Contract Obligations in accordance with Section 506.

Section 602. Compliance with Laws Relating to Appropriation and Related Matters. The Issuer covenants and agrees to take all actions on its part and to comply with all laws required for the Issuer to receive any amounts appropriated to the MTA Dedicated Tax Fund including subdivision 3 of Section 89-c of the State Finance Law. The Issuer further covenants to request the transfer into the MTA Dedicated Tax Fund of amounts on deposit in the MMTOA Account when needed to pay Debt Service or to set aside amounts for the payment of Debt Service.

Section 603. Agreement of the State; No Bankruptcy. In accordance with Section 1271 of the Issuer Act, the Issuer does hereby include the pledge and agreement of the State with the Owners of the Obligations that the State will not limit or alter the denial of authority under subdivision 9 of Section 1269 of the Issuer Act, or the rights vested in the Issuer by the Issuer Act to fulfill the terms of any agreement made with such Owners, or in any way impair the rights and remedies of such Owners until such agreements, bonds, notes and obligations with such Owners, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Issuer is liable in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged; *provided, however, nothing contained in this Section or elsewhere in the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes producing revenues for deposit in the Dedicated Mass Transportation Trust Fund, the MMTOA Account or the appropriations relating thereto.*

**ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES**

Section 701. Events of Default. Each of the following events is defined as and shall constitute an "Event of Default" under the Resolution:

1. There shall occur a default in the payment of principal, Sinking Fund Installment, interest or premium on any Obligation after the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of 30 days.

2. There shall occur a failure to observe, or a refusal to comply with, the terms of the Resolution or the Obligations, other than a failure or refusal constituting an event specified in any other subsection of this Section 701 and other than a failure to make all or any portion of any required deposit into any Fund or Account which failure is the result of the fact that the Issuer has not received sufficient MTTF Receipts or MMTOA Receipts, as appropriate, to make such deposit; *provided, however, that* such failure or refusal shall have continued for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, and *provided further that* if the failure stated in the notice cannot be remedied within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Issuer within such period and is being diligently pursued.

3. The State or any Final Judgment shall limit or alter the denial of authority under subdivision 9 of Section 1269 of the Issuer Act to the Issuer or, subject to the proviso contained in Section 603, shall limit or alter the rights and powers vested in the Issuer by the Issuer Act to fulfill the terms of any agreements made by it with the holders of any notes, bonds, or lease or other obligations, or in any way impair the rights and remedies of such holders until such agreements and all such obligations, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Issuer is liable in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

4. The pledge created in Section 501 of the Resolution shall, at any time and for any reason, cease to be in full force and effect or a Final Judgment shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the benefit of the Owners of the Obligations and Parity Debt, subject to the rights of no other parties (other than holders of Prior Lien Obligations, Obligation Anticipation Notes and, to the extent provided in Section 506, Subordinated Indebtedness and Subordinated Contract Obligations.

Section 702. Powers of Trustee.

1. In the event that any Event of Default specified in Section 701 shall occur and be continuing, the Trustee may, and, upon written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, shall, in its name,

(1) by suit, action or proceeding in accordance with the civil practice law and rules, enforce all rights of the Owners of Obligations;

(2) bring suit upon the Obligations against the Issuer;

(3) by action or suit, require the Issuer to account as if it were the trustee of an express trust for the Owners of the Obligations; or

(4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Obligations.

2. Subject to the provisions of Sections 701 and A-1001 and the foregoing provisions of this Section 702, the remedies conferred upon or reserved to the Trustee in respect of any Event of Default are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute; *provided, however, that* the Trustee or the Owners of the Obligations shall not have the right to declare all Obligations to be immediately due and payable. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice as may be expressly required herein.

3. The Trustee shall in addition to the foregoing powers, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incidental to the general representation of Owners of Obligations in the enforcement and protection of their rights.

4. The Issuer covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Issuer and all other records relating to the Trust Estate shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and, upon demand of the Trustee, the Issuer will account, as if it were the trustee of an express trust, for the Trust Estate for such period as shall be stated in such demand.

Section 703. Priority of Payments After Default.

1. In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Obligations and for payments then due with respect to Parity Debt, such funds (excluding funds held for the payment or redemption of particular Obligations which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Obligation Anticipation Notes) and any other money received or collected by the Fiduciaries, or the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the amounts to be received under the Resolution or otherwise to protect the interest of the Owners of the Obligations, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

(1) Unless the principal of all of the Obligations shall have become due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Obligations and the interest components of Parity Debt in the order of the maturity of such installments and interest components, and, if the amount available shall not be sufficient to pay in full any installments and interest components due on the same date, then to the payment thereof ratably, according to the amounts due on such installments and interest components, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Obligations and Parity Debt; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Obligations and the principal component of Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Obligations and Parity Debt due on any date, then to the payment thereof ratably, according to the amounts of principal and Redemption Price and principal component due on such date, to the Persons entitled thereto, without any discrimination or preference

(2) If the principal of all of the Obligations and the principal component of Parity Debt shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations and Parity Debt without preference or priority of principal or principal component over interest or interest component or of interest or interest component over principal or principal component, or of any installment of interest or interest component over any other installment of interest or interest component, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discretion or preference except as to any difference in the respective rates of interest specified in the Obligations and Parity Debt.

2. The provisions of this Section 703 are in all respects subject to the provisions of Section A-602.

**ARTICLE VIII
PRIOR LIEN OBLIGATION AND PRE-EXISTING INDEBTEDNESS PROVISIONS**

Section 801. Authority to Delete Prior Lien Obligation and Pre-existing Indebtedness Provisions. Notwithstanding any other provision of the Resolution, (i) the Issuer may determine by a certificate of an Authorized Officer that no Prior Lien Obligations and Pre-existing Indebtedness remain outstanding and any such determination shall be effective upon the filing thereof with the Trustee, (ii) upon any such determination, any Authorized Officer is hereby authorized to prepare, or to direct the preparation of, a copy of the Resolution conformed to show deletion of the provisions of the Resolution having effect only so long as Prior Lien Obligations and Pre-existing Indebtedness remain outstanding, and (iii) any such conformed copy of the Resolution shall on and after the date of its filing with the Trustee, accompanied by a certificate of an Authorized Officer and an Opinion of Bond Counsel (both of which shall confirm that only the provisions authorized to be deleted hereby have been deleted), be deemed to be the Resolution for all purposes hereof.