Adopted by the Board May 25, 2005

METROPOLITAN TRANSPORTATION AUTHORITY
Unhedged Variable Rate Debt Policy

Definitions

“**Approved Capital Program**” means, a capital program as defined in the MTA Act which requires MTA to submit to the Review Board for its approval successive five-year capital programs, one for the Transit System and SIRTOA and another for the Commuter System.

“**Authority**” means, as the context permits or requires, any or all of the following: the First Mutual Transportation Assurance Company; The Long Island Rail Road Company; the Manhattan and Bronx Surface Transit Operating Authority; the Metro-North Commuter Railroad Company; the Metropolitan Suburban Bus Authority; the Metropolitan Transportation Authority; the New York City Transit Authority; the Staten Island Rapid Transit Operating Authority; MTA Bus Company; and the Triborough Bridge and Tunnel Authority.

“**obligation**” means any obligation for the payment of money by an Authority, including, without limitation, a debt, bond, installment sale or lease obligation.

“**Variable Rate Debt**” means obligations of the Authority whose interest rates are not predetermined at issuance but fluctuate over time based on market conditions. Such debt includes, but is not limited to Variable Rate Demand Obligations, Auction Rate Securities, and Commercial Paper. Debt that has been hedged through the use of an interest rate swap or cap where either the Authority is a fixed rate payor or the Authority’s exposure to rising interest rates has been limited shall not be treated as Variable Rate Debt under this policy (whether or not such swap or cap extends for the full life of the related debt). Cash flow notes issued by the Authority which are expected to be repaid within the current fiscal year shall also be excluded for purposes of this policy.

Policy

The Authority desires to achieve the lowest possible interest cost on its debt and maintain a prudent level of interest rate risk. Therefore, the following policy shall apply to the issuance of Variable Rate Debt.

The Authority may issue Variable Rate Debt in such amounts as deemed necessary and/or beneficial by staff to provide funding for Approved Capital Programs or to refund existing obligations of the Authority. Upon such issuance, the principal amount of Variable Rate Debt outstanding shall not exceed 25% of the aggregate principal amount of all outstanding obligations of the Authority (in both cases, including outstanding MTA and TBTA obligations but excluding state service contract bonds or other bonds not payable from Authority funds).