

PRESENTED AND ADOPTED:

SUBJECT: APPROVAL TO EXECUTE STANDARD ISDA AGREEMENTS AND
SCHEDULES IN SUPPORT OF COMMODITY SWAP PROGRAM

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Board has determined that it may be in the Authority's best interest to enter into Master Commodity Swap Agreements in order to stabilize the costs for diesel fuel; and

WHEREAS, The financial institutions who are the other parties to the commodity swap transactions ("the Counterparties") now require the execution of Standard ISDA agreements along with Schedules; and

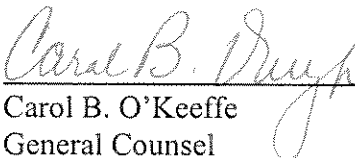
WHEREAS, These ISDA agreements include a requirement to indemnify the Counterparties for expenses and legal fees which can only be granted by the Board; now, therefore, be it

RESOLVED, That the Board authorizes the execution of the Standard ISDA agreements and Schedules; and be it further

RESOLVED, That the Board approves the indemnification of swap Counterparties for expenses and legal fees in the event of a default by the Authority; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency:



Carol B. O'Keeffe
General Counsel



(Board Copy)
Washington Metropolitan Area Transit Authority
**METRO ELECTRONIC ACTION
DOCUMENT**

IDENTIFICATION			
MEAD ID:	99593	ACTION:	N/A
AWARD VALUE:	(Not yet awarded)	CONTRACT: (Proposed)	
FUND SOURCES: (View)		CONTRACTOR:	
LAST MODIFIED:	07/12/2006		

DESCRIPTION	
SUBJECT:	Indemnification of Wachovia and other counterparties.
PURPOSE:	Obtain Board approval to allow the Authority to agree to indemnify Wachovia Bank, NA. and other counterparties for expenses and legal fees related to the enforcement of swap contracts.

ORIGINATION			
INITIATOR		DEPARTMENTAL APPROVAL	
CHRISTOPHER CIPPERLY on 06/21/2006		Approved by WOODRUFF, HARRY 06/22/2006	
PHONE: 202-962-1154	OFFICE: TRES	DEPT: Finance	

COORDINATION (ROUTING)		
OFFICE	NAME	ACTION/DATE
PRMT (7410)	JACKSON, LUCY	Approved 06/28/2006
CFO1 (2110)	WOODRUFF, HARRY	Approved 06/22/2006
COOB (3211)	REQUA, JOHN	Approved 07/05/2006
AUDT (7210)	STEWART, JAMES	Approved 07/10/2006
OPAS (3161)	HUGHES, JAMES	Approved 07/12/2006
COUN (1410)	O'KEEFFE, CAROL	Approved 07/12/2006

FINAL APPROVALS	
OFFICE	NAME/ACTION
BUDGET_CMTE	Approved for CFO1 by HARRY WOODRUFF on 06/22/2006
JOINT_DEV	EMEKA MONEME (Not Yet Approved)
OPER_CMTE	Approved for OPAS by JAMES HUGHES on 07/12/2006
BEMR	Approved for GOVR by DEBRA JOHNSON on 07/12/2006
GM	Approved for GMGR by GMGR CEO on 07/12/2006
BOARD	BOARD WMATA (Not Yet Approved)



Washington Metropolitan Area Transit Authority
**METRO ELECTRONIC ACTION
DOCUMENT**

NARRATIVE

Discussion:

In previous years the Authority has had a Master Agreement in place with several financial institutions. As we have renewed our interest in executing swaps this year, our counter parties (i.e. Wachovia) have required execution of standard International Swaps And Derivatives Association (ISDA) agreements along with Schedules which customize the standard agreement. The Schedule must be used to ensure that the terms of the transaction meet the terms of the Compact and provide best business terms obtainable. A provision of this agreement calls for indemnification for expenses and legal fees upon the default by a party under the agreement. Indemnification is a power which rests solely with the Board.

Alternatives:

Adherence to standard documentation is required by all major market participants. The Authority could elect not to engage in swaps and look to the physical supply contract to offer fixed price options.

Impact on Funding:

Swap transactions are undertaken to reduce the risk of cost overruns associated with rising oil prices.

Recommendation:

Authorize staff to enter into multiple standard ISDA agreements with acceptable Schedules and to provide the required indemnification for expenses and legal fees to enforce the agreement should the Authority default on its contractual obligations for each counterparty executing such ISDA agreements and Schedules.