

New York, NY 10017-3739  
212 878-7000 Tel



**Metropolitan Transportation Authority**

State of New York

November 14, 2011

Mr. Joseph J. Lhota  
[REDACTED]  
[REDACTED]

**RE: Offer of Employment**

Dear Mr. Lhota:

This letter confirms the Metropolitan Transportation Authority's ("MTA") offer of employment to you as Executive Director, at an annualized salary of \$332,500 (payable bi-weekly). Your first day of work is November 14, 2011. This is an exempt position which is subject to the MTA's five-day payroll lag.

Your compensation is supplemented by a package of fringe benefits which currently includes a choice of comprehensive health plans and a dental and vision plan; group life insurance, short-term and long-term disability benefits; participation in the New York State and Local Employees Retirement System; 25 vacation days per year; 12 sick days per year; 12 paid holidays per year, and 3 personal days.

*In the event of a discrepancy between the terms of this offer letter and the provisions of the retirement plan or MTA policies, the retirement plan and the MTA policies shall govern in all cases. Like all non-represented MTA employees, the outlined benefits and the like are subject to modification.*

It is understood that the Governor has announced his intention to nominate you to fill the position of MTA Chairman and Chief Executive Officer, an appointment which requires confirmation by the State Senate. Your continued employment as Executive Director with the MTA, which is anticipated to extend until final action by the State Senate on such nomination, is subject to termination by either you or the Acting Chair/Chief Executive Officer of the MTA, at any time for any reason, with or without cause.

*The agencies of the MTA*

MTA New York City Transit  
MTA Long Island Rail Road

MTA Long Island Bus  
MTA Metro-North Railroad

MTA Bridges and Tunnels  
MTA Capital Construction

MTA Bus Company

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November 14, 2011  
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We are delighted that you are joining our organization and performing this vital role. Please accept this offer by signing the enclosed copy in the space provided.

Sincerely,



Margaret M. Connor  
Senior Director of Human Resources and Retirement Programs

Date Accepted: 11-21-11, 2011

Signature: Joseph Lhota

c: Andrew Saul, Acting MTA Chair/CEO

247 MADISON AVENUE  
New York, NY 10017-3739  
212 678-7000 Tel.



**Metropolitan Transportation Authority**

State of New York

September 10, 2009

Mr. Jay H. Walder  
[REDACTED]  
[REDACTED]

Dear Mr. Walder,

This letter ("Letter Agreement") will confirm the terms and conditions of your employment as Chairman and Chief Executive Officer of the Metropolitan Transportation Authority (the "MTA"), effective upon, and subject to, confirmation of your appointment by the State Senate and approval by the Board of the MTA (the "Board") of this Letter Agreement (the date of the later of these two action hereinafter referred to as the "Commencement Date"). In accordance with the Public Authorities Law ("PAL") the term of this appointment extends to, and ends on, June 30, 2015. This is an exempt managerial position.

Except as modified by this Letter Agreement or by applicable law, your employment and the benefits associated therewith shall be governed by the policies, procedures, rules and regulations generally applicable to non-represented employees of the MTA.

1. **Duties** You shall serve as Chairman and Chief Executive Officer of the MTA and devote your full time and attention to rendering services in the governance and management of the MTA (including, as provided by law, as Chairman and Chief Executive Officer of MTA affiliates and subsidiaries). You agree to establish within a reasonable period and to maintain your residence within the area served by the MTA for the period you are serving as Chairman and Chief Executive Officer.

2. **Salary, Benefits, Housing and Deferred Compensation**

- (a) Effective as of the Commencement Date or your first regular day of work, if later, your base salary shall be at the rate of \$350,000 per annum (as amended from time to time, "Base Salary"), payable pursuant to the MTA's payroll practices and subject to applicable federal, state and local tax withholding obligations. You will be afforded the cost of living increases over the \$350,000 level provided to other members of the MTA Senior Management team. In addition the Board or a special committee

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thereof (that is not appointed by the Chairman) will review your Base Salary on an annual basis, taking account of performance, increases afforded to other MTA management, the MTA's then current financial condition and such other factors as it deems appropriate. In no event shall this review result in a diminishment of a Base Salary rate below \$350,000 plus the applicable cost of living increases (subjected to any across the board decreases but in no event below \$350,000).

- (b) For such period, not to exceed one (1) year, as you find it reasonably necessary to maintain dual residences to accommodate your family circumstances you will receive a monthly housing allowance of \$5,000. In addition, the MTA will reimburse reasonable moving and other relocation expenses (excluding temporary housing, which is intended to be covered by the monthly housing allowance) not to exceed \$35,000 (inclusive of travel expenses for you and your family) in accordance with the rules and procedures of the MTA's relocation policy. You shall promptly repay the MTA any amounts paid to you under this Section 2(b) if prior to January 1, 2011 you (i) resign other than as provided in Section 5(b) below or (ii) are removed from office pursuant to the terms of the last sentence of Section 4 hereof.
- (c) Effective as of the Commencement Date, the MTA will contribute an amount not to exceed \$22,000, which is the current maximum amount allowed under the Internal Revenue Code ("IRC") for participants aged 50 or older, or such lesser maximum amount permitted under the IRC on an annual basis to an IRC Section 457(b) account on your behalf. Contributions for any partial years, including 2009, will be pro-rated based on the number of days you are employed with the MTA. Contributions will be made on an equal routine basis, either bi-weekly or monthly. In the event current maximum limitations are increased, you and the Board, or a special committee thereof will then discuss such increases and make any changes upon which are mutually agreed.
- (d) You will be afforded the same benefits as are available to other senior management officials at MTA, including participation in the applicable pension system, subject to any eligibility and service requirements or provisions under such applicable benefit plan, system, program or policy. It is expected that you will be eligible to rejoin the NYSLERS pension system including recognition of your previous service credited under the

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plan pursuant to the rules of that plan. It is recognized that your acceptance of this appointment is based upon this appointment being through June 30, 2015 (as established by Chapter 25 of the Laws of 2009) (the "Expiration Date"). It is expected that you will be eligible for certain pension payments (commencing pursuant to the applicable rules) based upon service during the term of this appointment and your previous service, and that after the Expiration Date your final average salary calculation would be based entirely upon the compensation earned through the Expiration Date of this appointment.

3. **Leaves** Your annual leave benefits will be those of other senior management officials at the MTA; provided, however, the annual leave to which you are entitled shall be no less than the leave to which you were entitled when you previously served as MTA Executive Director, and, at your option, you shall receive a cash payment for up to fourteen days of unused vacation days per year on each anniversary date of this Letter Agreement.

4. **Termination** Your employment with the MTA is subject to the term and other limitations provided under applicable law. Your term and employment with the MTA expires on the Expiration Date. Notwithstanding the foregoing, you may be removed from office before the Expiration Date in accordance with the procedures under PAL, including for inefficiency, neglect of duty, breach of fiduciary duty or misconduct in office or any other grounds for removal under applicable State law; and, in such event, the MTA will have no further obligations under this Letter Agreement.

5. **Resignation**

- (a) You may resign at any time on ninety (90) days prior written notice to the Governor. If you resign other than as provided in Section 5(b) below, the MTA will have no further obligations under this Letter Agreement.
- (b) In the event that a majority of the Board requests that you resign, other than for the reasons outlined in Section 4 above, and you agree to resign upon such request and the Governor accepts your resignation, all prior to the Expiration Date, the MTA will pay you, in addition to any accrued amounts owed, a lump sum severance amount equal to the sum of one year's compensation plus, if applicable, the amounts provided for in the next sentence, payable on the ninetieth (90<sup>th</sup>) day following resignation. If

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such resignation is accepted and effective prior to you serving five years in this appointment (measured from the first day you receive compensation), the severance amount shall be increased by an actuarially equivalent lump sum amount equal to the present value of the amount by which (B) is less than (A), where (B) is a calculation of your then expected pension from NYLSERS based on your actual service and compensation at the date of your resignation and (A) is a calculation of the pension you would have received from NYLSERS based on service until the Expiration Date and as if your salary had been continued and periodically increased (if appropriate) until the Expiration Date. (B) shall also be grossed up by such amount as is necessary to pay any applicable New York State and New York local income tax on such payment. The actuarial assumptions and methodology used to calculate such actuarially equivalent amount shall be reasonably determined by the actuary for NYLSERS or, if he or she declines, an independent actuary chosen by the MTA in good faith and approved by you (and such approval shall not be unreasonably withheld or denied). The determination of the actuary shall be binding on both you and the MTA. Notwithstanding anything to the contrary, amounts payable pursuant to this subsection (b) are conditioned on your executing and delivering to the MTA a general release of claims in the standard form used by the MTA at the time in connection with terminations of employment and that is no longer subject to revocation (under applicable law) within eighty (80) days following termination, which form the MTA shall deliver to you promptly following termination. If for any reason any amounts payable by MTA pursuant to this Section 5(b) are delayed such payments shall accrue interest at the interest rate established by the Comptroller for prompt payment and such interest amount shall also be payable to you.

- (c) It is recognized, however, that the duties and term of this appointment are established under the PAL. In the event that the PAL is amended to shorten your term or to materially reduce your authority or responsibilities, such change may be treated by you as a constructive discharge of you without cause; provided that you give written notice to the Corporate Secretary of the Board and the MTA General Counsel within sixty (60) days of such an amendment of your resignation if such action is not cured within ninety (90) days of the giving of such notice and such action is not in fact cured within such time period. Upon the expiration of such cure period without cure, your employment hereunder

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shall terminate and you shall have the same rights as you have under Section 5(b) above as if such termination date was the date of acceptance of your resignation by the Governor.

6. IRC Section 409A.

- (a) It is intended that, to the extent any payments under Section 5 would be treated as taxable compensation, that such payments be exempt from, or comply with, IRC Section 409A and the regulations and guidance promulgated thereunder (collectively "409A") and all provisions of this Letter Agreement shall be interpreted in accordance therewith. All distributions under this Letter Agreement of nonqualified deferred compensation shall be paid at the times specified in this Letter Agreement or within such period with regard thereto as permitted by Treasury Regulation Section 1.409A-3(b).
- (b) To the extent a payment or benefit is "nonqualified deferred compensation" subject to 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Letter Agreement providing for the payment of any amounts upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of 409A and, for purposes of any such provision of this Letter Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."
- (c) All taxable reimbursements under this Letter Agreement will be made promptly, but in no event later than March 15 of the calendar year following the calendar year in which such reimbursable expenses are incurred.
- (d) Whenever a payment under this Letter Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the MTA.

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MTA will reimburse you for reasonable legal or other advisory fees incurred in connection with the negotiation and execution of this Letter Agreement, not to exceed \$15,000.

MTA may withhold from any and all amounts payable to you such Federal, state and local taxes as may be required to be withheld pursuant to any applicable laws or regulations.

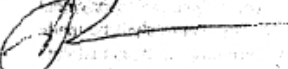
This Letter Agreement shall be governed by, and construed under and in accordance with, the internal laws of the State of New York, without reference to rules relating to conflicts of laws.

Notwithstanding anything else herein, this Letter Agreement is personal to you and neither the Letter Agreement nor any rights hereunder may be assigned by you. This Letter Agreement contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof. No modifications of this Letter Agreement will be valid unless made in writing and signed by the parties hereto.

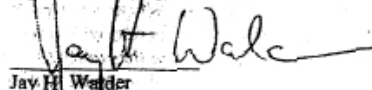
You are required by law to verify, within the first three days of your employment, your eligibility to work within the United States, by proof that you are either a U.S. citizen, an employable alien, or the holder of a temporary work visa. Failure to comply with this law, known as the Immigration Reform and Control Act of 1986, will make it unlawful for the MTA to continue your employment.

We are delighted that you are joining our organization and will be performing this vital role. Please indicate your acceptance by signing the enclosed copy in the space provided and returning it to me at your earliest convenience.

Very truly yours,

  
Gary J. Dellaverson  
Chief Financial Officer

Agreed and Accepted:

  
Jay H. Walder

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