



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

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August 11, 2015

**TO: BOARD OF DIRECTORS**

**THROUGH: PHILLIP A. WASHINGTON** *PAW*  
**CHIEF EXECUTIVE OFFICER.**

**FROM: NALINI AHUJA** *Nalini Ahuja*  
**EXECUTIVE DIRECTOR, FINANCE AND BUDGET**

**SUBJECT: TERMINATION OF DEFEASED LEASE**

**ISSUE**

We are informing the Board that we terminated our defeased lease with CIBC, Inc., (CIBC) effective August 7, 2015.

**DISCUSSION**

In June 2000 we entered into the lease/leaseback transaction with CIBC covering six heavy rail cars with an aggregate asset value of \$15.2 million. We received \$1.3 million of upfront cash benefit that we will retain after the termination.

CIBC, having realized the tax benefits of the transaction, offered to terminate the lease before the November 2019 buyout date, without imposing the early termination cost of \$2.2 million. LACMTA is in the process of purchasing new rail cars for system expansion and to replace cars that are approaching the end of their useful revenue service-life. By terminating the lease we get the rail cars back from CIBC free and clear of all encumbrances, and reduce a looming storage problem due to the lease requirement to maintain the cars onsite. Our costs to effect the termination are legal fees of approximately \$70 thousand to execute the agreement.

The Defeased Lease Policy adopted by the Board in October 2008 delegated authority to the Chief Executive Officer to terminate the leases when such actions are determined to be in the best interest of the MTA.

We will have 5 defeased leases remaining after this termination. A sixth defeased lease with Phillip Morris will terminate with the buyback of the assets in December 2015.

If you have any questions or comments, please contact Nalini Ahuja (213) 922-3088.