



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

JANUARY 3, 2016

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 leases with Comerica Leasing Corporation, (Comerica) effective November 21, 2016.

DISCUSSION

In June 2000 and in September 2001 we entered into lease/leaseback transactions with Comerica covering 38 heavy rail cars and 25 light rail vehicles respectively, with an aggregate asset value of \$ 179.0 million. We received \$14.7million of upfront cash benefit that we will retain after the termination.

Comerica, having realized the tax benefits of the transactions, offered to terminate the leases before the buyout dates in January 2022 and January 2025, without imposing the early termination cost of \$30.2 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 leases we get the rail cars back from Comerica 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 \$97 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 3 defeased leases remaining after this termination.

If you have any questions or comments, please contact LuAnne E. Schurtz (213) 922-2554.