



**Metro**


Los Angeles County  
Metropolitan Transportation Authority


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**DECEMBER 22, 2011**

**TO: BOARD OF DIRECTORS**

**THROUGH: ARTHUR T. LEAHY**   
**CHIEF EXECUTIVE OFFICER**

**FROM: TERRY MATSUMOTO**   
**CHIEF FINANCIAL SERVICES OFFICER AND TREASURER**

**SUBJECT: TERMINATION OF DEFEASED LEASE**

**ISSUE**

We expect to terminate our defeased lease with Agilent Technologies, Inc. (Agilent) early next week.

**DISCUSSION**

In 2001 we entered into the lease covering rail divisions 20, 22 and 30 and bus divisions 3 and 18 that had an aggregate asset value of \$285 million. We received \$14.3 million of upfront cash benefit that we will retain after the termination. Our costs to effect the termination will be the legal fees of the parties and our own costs that are estimated to be less than \$200,000 in total.

From 1997 through 2003 we executed 10 defeased lease transactions that provided \$65 million of upfront cash benefits. Seven of our defeased leases went into default following the September 2008 credit ratings downgrade of AIG, who provided various credit support, investment contracts and other financial services in the leases. Four of the seven defaults have previously been cured by terminating one lease in May 2011 and entering into collateral posting agreements for three others. Following termination of the Agilent lease, two AIG impacted leases will remain.

The Defeased Lease Policy adopted by the Board in October 2008 delegates authority to the CEO to terminate the leases or cure the defaults when such actions are determined to be in the best interest of the MTA.

**NEXT STEPS**

Execute termination documents.

If you have any questions or comments, please contact Terry Matsumoto, (213) 922-2473.