

[Termination Agreement(s) - Breda Light Rail Vehicle Leveraged Lease Transactions]

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3 **Resolution authorizing the Municipal Transportation Agency to enter into one or more**
4 **consensual termination agreements with the equity investors and other parties that**
5 **participated in the leveraged lease transactions executed in 2002 and 2003 with respect**
6 **to the San Francisco Municipal Transportation Agency's Breda light rail vehicles,**
7 **provided that there is no net financial cost or liability to the City/San Francisco**
8 **Municipal Transportation Agency for the terminations.**

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10 WHEREAS, In 2002 and 2003, the City and County of San Francisco (City), through
11 the Municipal Transportation Agency (SFMTA), and with the approval of the Board of
12 Supervisors, entered into Lease Transactions with various financial institutions with respect to
13 the majority of the SFMTA's Breda light rail vehicles (LRVs); and

14 WHEREAS, Subsequent developments have led to a situation in which it might be
15 beneficial for the City to enter into termination agreements for some or all of the Lease
16 Transactions; and

17 WHEREAS, The benefits to the City of an early termination include (1) elimination of
18 the risk of a technical default under its lease documents in the event that the financial
19 guarantor of the transactions, Assured Guaranty, is downgraded by the rating agencies below
20 "Aa3/AA-" and is not replaced by the City in accordance with the requirements of the lease
21 documents; (2) simplification of the SFMTA's financial statements and elimination of a
22 contingent liability; (3) removal of restrictions on the LRVs imposed by the lease documents;
23 and (4) elimination of certain filing and reporting requirements; and
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1 WHEREAS, Due to fluctuations in the financial market and the need to move forward
2 quickly when favorable circumstances allow, staff seeks prior authorization to terminate any
3 Lease Transaction, based on certain parameters; and

4 WHEREAS, The parameters are: (1) there shall be no net cost or liability to the City or
5 the SFMTA (excluding provisions that would otherwise survive at the end of the acceleration
6 of the purchase option) and any early termination agreement that requires out of pocket costs
7 to the City shall require prior approval of the Board of Supervisors; (2) any termination
8 agreement shall have been reviewed and approved by the City Attorney's Office; and (3) ~~staff~~
9 ~~will report on any terminations as soon as practicable after they occur-~~ SFMTA shall submit a
10 written report to the Board of Supervisors no later than 30 days after the SFMTA enters into a
11 termination agreement with an equity investor; and

12 WHEREAS, On June 21, 2011, the SFMTA Board of Directors approved a resolution
13 authorizing the Executive Director/CEO to enter into one or more consensual terminations
14 with the financial institutions and other parties that participated in the Lease Transactions
15 executed in 2002 and 2003 with respect to the SFMTA's Breda LRVs under the parameters
16 listed above, and subject to approval by this Board; now, therefore, be it

17 RESOLVED, That the Board of Supervisors authorizes the SFMTA to enter into one or
18 more consensual terminations with the financial institutions and other parties that participated
19 in the Lease Transactions executed in 2002 and 2003 with respect to the SFMTA's Breda
20 LRVs, provided (1) there shall be no net cost or liability to the City or the SFMTA (excluding
21 provisions that would otherwise survive at the end of the acceleration of the purchase option)
22 and any early termination agreement that requires out of pocket costs to the City shall require
23 prior approval of the Board of Supervisors; (2) any termination agreement shall have been
24 reviewed and approved by the City Attorney's Office; and (3) ~~staff will report on any~~
25 ~~terminations as soon as practicable after they occur-~~ SFMTA shall submit a written report to

1 the Board of Supervisors no later than 30 days after the SFMTA enters into a termination
2 agreement with an equity investor; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors authorizes the SFMTA to take
4 any other actions required to effectuate the termination of the Lease Transactions, including,
5 but not limited to, acceleration of the purchase option for the LRVs.

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