

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
8	09/09/13	Open	Information	08/29/13

Subject: Clarification of Amendment to RT's Leveraged Lease Transactions

ISSUE

Clarification of Amendment to RT's Leveraged Lease (SILO) Transactions.

RECOMMENDED ACTION

None. Information only

FISCAL IMPACT

None

DISCUSSION

The purpose of this issue paper is to clarify information provided in the staff report presented on August 12, 2013 when the Board adopted Resolution 13-08-0115, authorizing staff to undertake the preparation of an amendment to RT's SILO transactions to eliminate the need for continued forbearance from its equity investor due to the 2011 downgrade of the US Government. The downgrade resulted in a corresponding downgrade in the bond rating of US Treasury Securities, the equity collateral held as security on the SILO transactions. The issue paper dated August 12, 2013, is provided as background for the basis for the amendment.

At that time, Ambac (the surety, or secondary backup insurer on the transactions) was not contemplated as a signatory to the amendment to modify the SILO transactions. Fifth Third, RT's equity investor, and RT were expected to be the only participants in the amendment and both parties agreed to the elimination of the ratings trigger on US Securities within the documents. Based on this expectation and the language of the draft amendment that had been developed, the staff report stated the ratings trigger would be eliminated within the SILO transactions.

It was later determined that Ambac would be required to sign off on the amendment. In seeking concurrence from Ambac on the proposed amendment, Ambac would not agree to the elimination of the ratings trigger on the equity collateral, even though it would put the firm in a stronger position as the secondary insurer. After much discussion, staff determined that the swiftest course of action was to change the amendment to reflect a reduction in the ratings trigger from Aaa/AAA to Aa2/AA, which is agreeable to Ambac.

Resolution No. 13-07-0115 was broadly written and will support either the elimination or a reduction in the ratings trigger within the transactions; therefore, in the interest of moving ahead, staff has amended the SILO transactions to reflect a ratings reduction rather than the elimination of the ratings trigger within the transactions. No additional resolution is necessary.

Approved:

Presented:

General Manager/CEO

Chief Financial Officer

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