

RESOLUTION NO. 2013-69

AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SETTLEMENT FOR THE TERMINATION OF THE LEASE FINANCING OF RAIL EQUIPMENT CONTRACT 2002-ICX-1 AT A COST NOT TO EXCEED TWO MILLION DOLLARS (\$2,000,000.00) PLUS TRANSACTIONAL COSTS NOT TO EXCEED THREE HUNDRED THOUSAND DOLLARS (\$300,000.00) AND TO EXECUTE ALL DOCUMENTS RELATING TO THE SETTLEMENT AND TERMINATION

WHEREAS, this Board of Trustees by Resolution No. 2002-132A adopted on July 16, 2002 authorized the General Manager to enter into a contract with ICX Corporation ("ICX"), located in Cleveland, Ohio in 2002, as an equity investor with respect to lease/leaseback contracts for various passenger rail vehicles (the "Asset Lease Transaction"); and

WHEREAS, the Greater Cleveland Regional Transit Authority ("Authority") entered into the Asset Lease Transaction with ICX, and other parties to the Asset Lease Transaction, on September 30, 2002; and

WHEREAS, ICX is now an affiliate/subsidiary of RBS Citizens, a subsidiary of the Royal Bank of Scotland; and

WHEREAS, as a result of a credit rating downgrade of the guarantor of a portion of the Authority's contract obligations, the Authority is in technical default of one of its obligations with respect to the Asset Lease Transaction, which default has made the Authority liable for early termination payments; and

WHEREAS, GCRTA and RBS have entered into negotiations to terminate the Asset Lease Transaction, which will also require the consent of other parties to the Asset Lease Transaction; and

WHEREAS, the Authority desires to terminate the Asset Lease Transaction, provided that the Authority's obligations do not exceed two million dollars (\$2,000,000.00) for the settlement and termination of the Asset Lease Transaction; and

WHEREAS, there are transactional costs associated with the settlement and termination of the Asset Lease Transaction, which are projected to not exceed Three Hundred Thousand Dollars (\$300,000.00); and

WHEREAS, the General Manager has determined that settlement and termination of the Asset Lease Transaction would eliminate the risk of future unknown payments due to the technical default and future liability of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the Board of Trustees has determined that it is in the best interest of the Authority to settle and terminate the Asset Lease Transaction and execute all documents required to settle and terminate the Asset Lease Agreement.

Section 2. That the General Manager of the Authority be and he is hereby authorized to execute all settlement and termination documents with ICX and the other parties to the Asset Lease Transaction, provided that the sum paid by the Authority shall not to exceed two million dollars (\$2,000,000.00) for the settlement and termination fee.

Section 3. That the General Manager of the Authority be and he is hereby authorized to expend an amount not to exceed Three Hundred Thousand Dollars (\$300,000.00) for transactional costs related to the settlement and termination of the Asset Lease Transaction.

Section 4. That the General Manager of the Authority be and he is hereby authorized without further action of this Board of Trustees to execute and deliver all settlement and termination documents necessary to cause and complete the settlement and termination of the Asset Lease Transaction.

Section 5. That all actions heretofore taken by the General Manager and any other officers of the Authority in furtherance of the settlement and termination of the Asset Lease Transaction are hereby approved and ratified.

Section 6. The payment of the funds authorized herein shall be payable from the Local Match Fund.

Section 7. That the settlement and termination documents shall be binding upon and an obligation of the Authority, contingent upon compliance by the other parties to the settlement and termination documents with such settlement and termination documents and all applicable laws relating thereto.

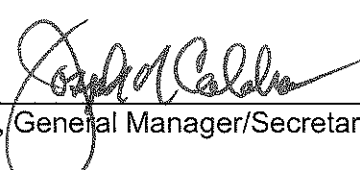
Section 8. That this Resolution shall become effective immediately upon its adoption.

Adopted: July 16, 2013



President

Attest:



CEO, General Manager/Secretary-Treasurer



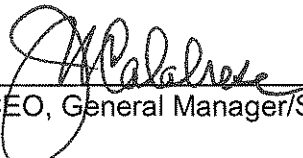
Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AUTHORIZING A SETTLEMENT TO TERMINATE A PORTION OF THE RAIL CAR LEASE FINANCING TRANSACTION	Resolution No.: 2013- 69
	Date: July 11, 2013
	Initiator: Finance & Administration
ACTION REQUEST: X Approval Review/Comment Information Only Other _____	

- 1.0 PURPOSE/SCOPE: This action will authorize the General Manager to enter into a settlement to terminate the final portion of the lease financing transaction.
- 2.0 DESCRIPTION/JUSTIFICATION: The action would authorize the Authority to terminate the final portion of the rail equipment lease financing transaction, which occurred in 2002.

This is in response to a technical default on this portion of the transaction, due to the downgrade of guarantors in the transaction.
- 3.0 PROCUREMENT BACKGROUND: The Authority previously approved Resolution 2002-132A which authorized the transaction with ICX, which is now an affiliate of the Royal Bank of Scotland.
- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Does Not Apply
- 6.0 ECONOMIC IMPACT: This will eliminate any future exposure due to the technical default on this portion of the transaction, which could cost the Authority millions of dollars in early termination payments. The cost to terminate will not exceed \$2,000,000, plus transactional costs incurred due to the termination. The transaction costs shall not exceed \$300,000. After all payments, the net proceeds from the transaction will be approximately \$12,000,000.
- 7.0 ALTERNATIVES: Rejection of this resolution may cause the Authority to risk having to pay millions of dollars in early termination payments.
- 8.0 RECOMMENDATION: It is recommended that this resolution be adopted authorizing the General Manager to enter into a settlement for the termination of Participation Agreement GCRTA-2002-ICX1.
- 9.0 ATTACHMENTS: None

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



CEO, General Manager/Secretary-Treasurer