



Metro

CEO Memo

Date	October 21, 2009
To	Board Members
From	Arthur T. Leahy <i>ATL</i> CEO
Subject	AnsaldoBreda Options

I have negotiated the documentation for the exercise of the Option Cars with AnsaldoBreda over the past month. AnsaldoBreda has made its best and final offer. Consistent with the September board motion, AnsaldoBreda has agreed as follows:

1. The option cars will meet the contract weight specification of 103,263 lbs.
2. All base cars and option cars will have train line compatibility.
3. Width of two seat transverse is 1/2 inch (1/4 inch per seat) less than the contract specification.
4. The ILOC is for \$75 million. By contract, AnsaldoBreda has agreed to renew the ILOC annually and replenish the ILOC if drawn upon to an aggregate amount of \$300 million.
5. AnsaldoBreda will provide a \$300 million performance bond.

The following points are different from the September board motion:

1. AnsaldoBreda was unwilling to take the risk of reducing all excess weight on the base car which is their responsibility. AnsaldoBreda wanted to know what weight it must meet before signing the Modification. AnsaldoBreda committed to reduce 2,825 lbs. from the base car, leaving a weight of 105,785 lbs. In consideration for Metro's agreement to this new weight requirement on the base cars, AnsaldoBreda has offered to provide two additional free cars. The total number of option cars will then be 102.
2. Finmeccanica has requested that the guaranty they presented to the Board in September be capped at \$375 million. The liability of AnsaldoBreda will not be capped.
3. There were a number of outstanding change orders on the base cars which impact the specifications and the price of the option cars. In settlement of those change orders, Metro will pay AnsaldoBreda \$1.694 million for base car change orders. The final option car price, based on the September PPI and adjusted for the settlement, is \$3 million per car.

This item is No. 48 on the Board agenda as Receive and Consider Status of Breda Contract. At that time, I will recommend Board approval of these changes.