

**Metro****FINANCE & BUDGET COMMITTEE  
OCTOBER 19, 2005****SUBJECT: CAPITAL GRANT RECEIPTS REVENUE BONDS****ACTION: ADOPT RESOLUTION APPROVING FIRST SUPPLEMENTAL TRUST  
INDENTURE****RECOMMENDATION**

Adopt a resolution, Attachment A, approving the First Supplemental Trust Indenture, Attachment B, for the Capital Grant Receipts Revenue Bonds.

**RATIONALE**

In July 2005, \$265 million of bonds were issued for the Eastside Project. Currently, proceeds of \$211 million are invested with the bond trustee. To enhance the yield and retain flexibility to draw the funds whenever needed, we bid out an investment agreement and made an award. While negotiating the agreement it was determined that there was an onerous term in the indenture that would preclude us from closing.

Language imposed by the bond insurer and included in the bond indenture has been determined to be overly restrictive regarding requirements for investment agreements. Commercial banks subject to FDIC regulations and international banks operating under New York law are required to receive notice of withdrawal at least 7 days in advance. The original indenture only permits a maximum of two days. This action increases the notice period to 7 days. The bond insurer, bond counsel and the trustee have agreed that the indenture may be amended as provided in the attachments to this report. At the time of this writing, the low bidder is maintaining its pricing pending the Board's approval of this amendment.

**FINANCIAL IMPACT**

The agreement provides a yield that is greater than direct investment in U.S. Treasury securities at the time of the bidding. By providing flexible withdrawal of the funds, the agreement also eliminates the price risks associated with liquidation of fixed income securities and reinvestment risk.

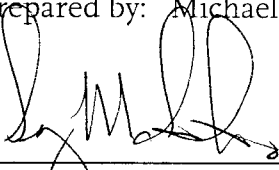
**ALTERNATIVES CONSIDERED**

If the proposed changes to the indenture are not adopted, we will have to re-bid using a different, less efficient investment product. The risk of re-bidding is that a lower yield would negatively impact the cost of the financing.

## ATTACHMENTS

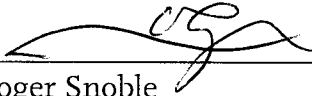
- A. Authorizing Resolution
- B. First Supplemental Trust Indenture

Prepared by: Michael J. Smith, Assistant Treasurer



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Terry Matsumoto  
Executive Officer, Finance and Treasurer



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Roger Snoble  
Chief Executive Officer

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL TRUST INDENTURE RELATING TO CAPITAL GRANT RECEIPTS REVENUE BONDS (GOLD LINE EASTSIDE EXTENSION PROJECT) SERIES 2005A, SERIES 2005B-1 AND SERIES 2005B-2 AND AUTHORIZING OFFICERS, AGENTS AND EMPLOYEES TO PERFORM DUTIES AND TAKE ACTIONS IN ACCORDANCE WITH THIS RESOLUTION

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WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "MTA") is a county transportation commission duly organized and existing pursuant to Section 130000 *et seq.* of the California Public Utilities Code and is authorized to issue bonds under Section 130500 *et seq.* of the California Public Utilities Code (the "Authorizing Act"); and

WHEREAS, the MTA has undertaken its "Metro Gold Line Eastside Extension Project" (the "Project"), consisting of the design and construction of a light rail transit line from Union Station in downtown Los Angeles to the East Los Angeles communities; and

WHEREAS, in order to finance a portion of the costs of the Project, the MTA has heretofore issued the Los Angeles County Metropolitan Transportation Authority Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A, Series 2005B-1 and Series 2005B-2 (the "Bonds") in the aggregate principal amount of \$264,885,000, pursuant to a Trust Indenture, dated as of July 1, 2005 (the "Indenture"), between the MTA and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"); and

WHEREAS, there has been presented to the MTA the form of a First Supplemental Trust Indenture (the "First Supplement"), between the MTA and the Trustee, amending certain provisions of the Indenture relating to the definition of "Permitted Investments" therein;

NOW, THEREFORE, BE IT RESOLVED BY THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AS FOLLOWS:

Section 1. ***Approval of Documents.*** The form, terms and provisions of the First Supplement is in all respects approved, and the Chief Executive Officer, the Chief Financial Officer, the Executive Officer, Finance and Treasurer, Assistant Treasurer and such other persons as the Chief Executive Officer may designate under the terms of this Resolution and the Indenture as designated officers (the "Designated Officers") are, and each of them is, hereby authorized and directed to execute, acknowledge and deliver the First Supplement, including counterparts thereof, in the name and on behalf of the MTA and the MTA's corporate seal is hereby authorized (but not required) to be affixed or imprinted thereon. The First Supplement, as executed and delivered, shall be in substantially the form on file with the Board Secretary and hereby approved, with such changes therein as shall be approved by the Designated Officer executing the same, which execution shall constitute conclusive evidence of the MTA's approval of any and all changes or revisions therein from the form of the First Supplement now before this meeting; and from and after the execution and delivery of the First Supplement the officers, agents and employees of the MTA are, and each of them is, hereby authorized and directed to take all such actions and to execute all such documents as may be necessary to carry out and comply with the provisions of the First Supplement.

Section 2. ***Additional Authorization.*** The Designated Officers and all officers, agents and employees of the MTA, for and on behalf of the MTA, are hereby authorized and directed to take any and

all actions necessary or desirable to effect the execution and delivery of the First Supplement and to carry out the transactions contemplated therein. The Designated Officers and all other officers, agents and employees of the MTA are further authorized and directed, for and on behalf of the MTA, to execute all papers, documents, certificates and other instruments that may be necessary or desirable in order to carry out the authority conferred by this Resolution or the provisions of the First Supplement. All actions heretofore taken by the officers, agents and employees of the MTA in furtherance of the purposes of this Resolution are hereby confirmed, ratified and approved.

Section 3.        *Effective Date.* The effective date of this Resolution shall be the date of its adoption.

FIRST SUPPLEMENTAL TRUST INDENTURE

between

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.,  
as Trustee

Dated as of \_\_\_\_\_, 2005

relating to

Los Angeles County Metropolitan  
Transportation Authority  
Capital Grant Receipts Revenue Bonds  
(Gold Line Eastside Extension Project)

Amendment to Definition of "Permitted Investments"

(Supplemental to the Trust Indenture dated as of July 1, 2005)

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## FIRST SUPPLEMENTAL TRUST INDENTURE

This FIRST SUPPLEMENTAL TRUST INDENTURE, dated as of \_\_\_\_\_, 2005 (this "First Supplemental Trust Indenture" or this "First Supplement"), is made by and between the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, a county transportation commission duly organized and existing under Section 130050.2 of the California Public Utilities Code (the "MTA"), and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States, as trustee (the "Trustee"), amends and supplements that certain Trust Indenture, dated as of July 1, 2005 (the "Original Indenture"), by and between the MTA and the Trustee.

### RECITALS

WHEREAS, the MTA has undertaken its "Metro Gold Line Eastside Extension Project" (the "Project"), consisting of the design and construction of a light rail transit line from Union Station in downtown Los Angeles to the East Los Angeles communities; and

WHEREAS, in order to finance a portion of the costs of the Project, the MTA has heretofore issued the Los Angeles County Metropolitan Transportation Authority Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A, Series 2005B-1 and Series 2005B-2 (the "Bonds") in the aggregate principal amount of \$264,885,000, pursuant to the Original Indenture; and

WHEREAS, the MTA desires to amend the definition of "Permitted Investments" in the Original Indenture; and

WHEREAS, the MTA has determined that under paragraphs (8) and (11) of Section 1001 of the Original Indenture the MTA is permitted to amend the Original Indenture pursuant to this First Supplement without the consent of or notice to the Owners, and the MTA has received the opinion of Bond Counsel regarding the First Supplement required by Section 1003 of the Original Indenture;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the MTA and the Trustee hereby agree as follows.

### ARTICLE I

#### AMENDMENT TO ORIGINAL INDENTURE

Section 1.01. Amendment to Definitions. Section 101 of the Original Indenture is hereby amended by deleting paragraph 11(j) of the definition of "Permitted Investments" therein and substituting therefor the following:

"(j) The investment agreement shall provide that moneys invested under the agreement must be payable or puttable at par to the Trustee without condition, brokerage fee or other penalty, upon not more than seven (7) business days' notice.



Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the MTA's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the Bonds and to make deposits to the Debt Service Reserve Fund.”

## ARTICLE II

### MISCELLANEOUS

Section 2.01. Limitation of Rights. Nothing expressed or implied in this First Supplement shall give any person other than the MTA, the Trustee, the Owners of the Bonds and the Bond Insurer any right, remedy or claim under or with respect to this First Supplement.

Section 2.02. Severability. If any provision of this First Supplement shall be determined to be unenforceable, such determination shall not affect any other provision of this First Supplement.

Section 2.03. Governing Law. This First Supplement shall be governed by and construed in accordance with the laws of the State of California.

Section 2.04. Captions. The captions in this First Supplement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this First Supplement.

Section 2.05. Counterparts. This First Supplement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Trust Indenture by their officers thereunto duly authorized as of the date first written above.

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY

By \_\_\_\_\_  
Designated Officer

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Authorized Officer