

December 15, 2009

The Honorable Diane Feinstein United States Senate 331 Hart Senate Office Building Washington, DC 20510

Re: S. 1341 The Close the SILO/LILO Loophole Act

Dear Senator Feinstein,

I am writing to request your assistance with protecting Los Angeles County Metropolitan Transportation Authority from the likelihood of serious service reductions and potentially significant job losses. Specifically, we are seeking your assistance encouraging the Senate Leadership to include the "The Close the SILO/LILO Loophole ACT" (S.1341) introduced on June 24, 2009 by Senator Robert Menendez, in legislation that may move through the Senate in the coming days.

Your recent sponsorship of this bill has helped to move this issue to the forefront of the Senate's agenda; we believe an additional endorsement from you and other Senators would convince the Majority Leader and others that this bill requires immediate consideration, most likely as a part of another legislative vehicle.

As you may recall, the bill would impose a 100 percent excise tax on the windfall proceeds received by banks and other investors who force an early termination of Structured Leases – known as SILOs (Sale-In/Lease Out) – which they entered into with transit agencies during the past 10-15 years. This vital piece of legislation would go a long way in protecting Los Angeles Metro and other transit agencies throughout the nation from having to make significant service reductions and the accompanying job cuts if forced to pay tens of millions of dollars in penalties. Currently, the exposure to Los Angeles Metro for penalties if these transactions are terminated is \$140 million which is 11% of our operating budget.

This legislation would serve to strip away any temptation for investors to reap a benefit that would otherwise not be due to them under the normal course of these transactions, and it is important to note that the threat of enactment has kept many investors from attempting to penalize transit agencies.

To date many banks and other investors have been cooperating with LA Metro and other transit systems throughout the country to either unwind the transactions without penalty, or to arrange for intermediate solutions until such time that alternative permanent guarantees can be acquired. Again, we believe that this "cooperation" is due in large part to the threat posed by the legislation and is not in consideration that the lease payments and other obligations under the agreements are being met.

We would appreciate any efforts you can undertake with the Majority Leader to convince him and others in the Majority Leadership to include this bill with other legislation being considered now in the Senate. Without relief, Los Angeles County Metro and other transit agencies in California and throughout the nation will have to cut service and jobs if they are forced to absorb these costs and that would seem to be counterproductive to the stated legislative priorities currently under consideration in the Congress.

Very truly yours,

Arthur T. Leahy

Chief Executive Officer