

LETTER AGREEMENT

BETWEEN

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY

AND

LOS ANGELES TRANSIT LINES

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TABLE OF CONTENTS

	<u>Page</u>
I <u>Transfer of assets</u>	
1. Assets to be transferred	2
2. Assets not to be transferred	4
II <u>Purchase Price</u>	
1. Amount - Agreed Price	5
(a) Increased by	5
(b) Diminished by	8
III <u>Treatment of Liabilities</u>	
1. Discharge of Liens	11
2. Payment of Other Indebtedness	11
3. Contest of Liability	13
4. Company to Indemnify	14
5. Authority to Indemnify	14
6. Tickets and Tokens	15
IV <u>Service and Franchises</u>	
1. Assumption of Service Obligations	15
2. In Lieu Payments: Cancellation of Franchises	15
3. Indemnity by Authority	16
4. Covenants of your Company	17
V <u>Continuance of Business</u>	
1. Company's Negative Covenants	18
2. General	19
VI <u>Representations and Warranties by your Company: Limitations Thereon.</u>	
1. Company's Representations and Warranties	20
VII <u>Legislation: Condition of Agreement</u>	
1. Proposed Legislation	23
2. Legislation a Condition	24
3. In Event Approval by P.U.C. Required	24
4. Re-execution After Legislation Becomes Effective	25
5. Dispute Respecting Legislation	26
6. Termination	26
VIII <u>Employment</u>	
1. Employment by our Authority	27
2. Union Contracts	28-A

	<u>Page</u>
IX <u>Closing</u>	
1. Place, Date	29
2. Date if P.U.C. Approval Required	29
3. Latest Date Applicable	29
4. Closing Details	29
5. Additional Documents	31
6. Stamp Taxes, etc.	32
7. Defense of Suits	32
X <u>Disputes</u>	
1. Closing Despite Disputes	32
2. Arbitration of Certain Disputes	33
3. Suits to Enforce Agreement	34
XI <u>Notices</u>	
1. Form: Manner of Giving	34
XII <u>Entire Agreement: Interpretation</u>	
1. Agreement Entire: Not for Benefit of Third Parties	34
2. Headings	35

List of Exhibits

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
2233 BEVERLY BOULEVARD
LOS ANGELES, CALIFORNIA

JUL 24, 1956

Los Angeles Transit Lines
1060 South Broadway
Los Angeles 15, California

Attention: Mr. E. C. Houghton, President

Dear Sirs:

The Los Angeles Metropolitan Transit Authority (hereinafter referred to as "our Authority") has a program for developing a unified and integrated system of mass rapid transit in the Los Angeles metropolitan area and adjacent communities whose transportation needs have become critical. This area includes all of Los Angeles and Orange Counties and portions of Riverside and San Bernardino Counties. Our program is intended to secure the benefits of public ownership of an essential service.

As a first step in this long-range program we plan to acquire and unify the principal privately owned mass rapid transit systems in the area, of which the system owned by your Company is the largest.

The carrying out of this plan will require enabling amendments substantially as set forth in Exhibit A attached hereto, to the Los Angeles Metropolitan Transit Authority Act (Chapter 1668 Laws of 1951 of the State of California) under which our Authority was created. Our Authority has recommended this enabling legislation, and will use its best efforts to cause it to be adopted in the next session of the California Legislature.

This letter is therefore written to confirm our mutual understanding and agreement, which will become effective only if and when said enabling legislation becomes effective, that you will transfer and sell to us and that we will accept and purchase from you the properties and assets described below, all on the terms and conditions set forth below:

I. Transfer of Assets

1. Assets to be Transferred: Your Company will transfer, sell and convey to us and our Authority will accept and purchase from you all of the following of your properties and assets:

(a) All of the physical assets, real and personal, other than franchises, as of the close of business September 30, 1954, as reflected in Item No. 10 on Exhibit B attached hereto, which exhibit is a copy of page 2 designated Table I of Section A of "Part I, Valuation of Physical Properties of Los Angeles Transit Lines" contained in "Report on Appraisal of Los Angeles Transit Lines and Metropolitan Coach Lines, February 28, 1955" by Coverdale & Colpitts, Consulting Engineers, to Los Angeles Metropolitan Transit Authority,

PLUS - all additions to physical assets, of the types now carried as Fixed Assets in your system of accounts, between September 30, 1954, and the Date of Closing, including but not limited to 100 General Motors forty-eight passenger diesel buses heretofore acquired by you after September 30, 1954.

LESS - all reductions in physical assets, of the types now carried as Fixed Assets in your system of

accounts, between September 30, 1954, and the Date of Closing, which reductions include but are not limited to all such assets abandoned (by discontinuance of the use thereof for transit service to the public) disposed of, used up, lost stolen, or destroyed in whole or in part, between September 30, 1954 and the Date of Closing.

(b) All contracts, express or implied (other than franchises) to which your Company is a party or by which it is bound at the Date of Closing, including all of the contracts described and all of the contracts of the types and classifications listed in Exhibit C attached hereto, and our Authority agrees to assume all such contracts; provided, however, that we may refuse to accept the transfer to us and the assumption by us of any contract entered into by you after the date of this letter agreement, which is entered into by you in violation of the provisions of section 5 hereof. Our said option to reject any such contract must be exercised on the Date of Closing or within thirty days after written notice of such contract is given to the general manager or executive director of our Authority, whichever of said times would permit the later exercise of such option.

(c) All securities hypothecated to secure or to obtain a bond or bonds to secure any obligation or undertaking which (as to that portion thereof accruing after the Date of Closing, as elsewhere more particularly described herein)

our Authority assumes or is required to assume hereunder or from and against which portion our Authority agrees herein to save and hold you harmless and indemnify you, including but not limited to \$400,000 principal amount of United States Government Bonds deposited as collateral to obtain a corporate surety performance bond in the amount of \$500,000 required under Los Angeles City Ordinance #90343 in connection with franchises held by your Company from said city. Said securities will be transferred to our Authority subject to such hypothecation.

2. Assets Not To Be Transferred: It is expressly understood that (without in any way expanding by implication or otherwise what is to be sold as described above) you reserve, except, and exclude from such agreement to transfer, sell and convey the following as they exist at the Date of Closing:

(i) Cash; cash items; working funds; special deposits; receivables (including but not limited to claims for tax refunds); accounts receivable; interest receivable; and dividends receivable;

(ii) All prepaid items, including but not limited to prepaid taxes, rent, insurance premiums, bond premiums, licenses, wages, salaries, contributions to retirement income plan, other prepaid expenses, credits on contracts, and all sums deposited by your Company to secure the payment or performance of liabilities or obligations of your Company; provided, however, that the remaining portion of any of the prepayments and credits on contracts as they exist at the close of business (which whenever used in this letter agreement shall mean midnight at the end of a day) on the day

preceding the Date of Closing shall be transferred to us when we pay you the amount thereof prorated to the period on and after the Date of Closing by an adjustment as required under Section III, and provided further that we shall cause the above mentioned sums, if any, deposited by your Company to be released from all payments or performance of liabilities or obligations which become due on and after the Date of Closing by such means as are appropriate therefor including but not limited to our Authority depositing like sums in lieu thereof;

(iii) All obligations, bonds and securities of any government except as expressly provided in clause (c) of Section I of this letter agreement;

(iv) All shares and other securities and investments in any other corporation;

(v) Franchises owned, enjoyed or held by your Company.

II. Purchase Price.

1. Amount. We agree to pay to you on the Date of Closing the amount (hereinafter referred to as the "agreed price") of Twenty-seven Million Two Hundred Eighty Thousand Dollars (\$27,280,000) cash, lawful money of the United States, which agreed price constitutes a mutually acceptable arbitrary figure arrived at through negotiations representing a lesser amount than Reproduction Cost New Less Accrued Depreciation of physical assets as of September 30, 1954 (as contained in Item 10, column 2, of Exhibit B attached hereto), and which agreed price is subject to the following adjustments:

(a) Said agreed price shall be increased by adding thereto:

(i) An amount equal to the cost of all of the physical assets, real and personal, including but

not limited to improvements, which are constructed (including wherever used in this letter agreement partially completed as well as completed construction) or otherwise acquired by your Company after September 30, 1954 but prior to the Date of Closing, for use in connection with the mass rapid transit system owned by your Company, and which are fixed assets under the accounting classifications which were included in Item 8 on Exhibit B hereto, excluding, however, the cost of the 100 General Motors forty-eight passenger diesel buses hereinbefore referred to, and excluding other fixed assets which are constructed or acquired by you after the date of this letter agreement to the extent that the costs thereof exceed an average of Thirty-five Thousand Dollars (\$35,000) per month (for example in excess of \$150,500 if the period is four months and nine days) from September 30, 1954 to the Date of Closing. (There shall be omitted from the determination of said monthly average the cost of those assets constructed or acquired with the written consent of our Authority or the construction or acquisition of which is directly related to a service change authorized by a government agency or is at any time required or necessitated by or is done in connection with the carrying out of any applicable law, regulation, order or decree of any government, government

agency or court, or is done to replace functionally any assets lost, worn out or disposed of.)

(ii) An amount equal to the cost to your Company of hereafter acquiring the capital stock or assets of any transit company operating entirely within the Los Angeles Metropolitan area, provided, however, that such acquisition is made by your Company with the written consent of our Authority.

(iii) An amount equal to the excess, if any, of the amount in the Material and Supplies account at the close of business on the day preceding the Date of Closing over the amount shown in the Material and Supplies account on the balance sheet of your Company as of September 30, 1954.

(iv) An amount equal to the taxes, if any, paid or payable by your Company on, or in connection with, the sale, transfer or delivery of personal property by your Company to our Authority under the California "Sales and Use Tax Law" or other state law, law of the United States, or under any sales or use tax ordinance of any county, city, town or other political subdivision of the State of California.

(v) An amount equal to the market price (plus accrued interest) at the close of business on the day preceding the Date of Closing of all securities described in clause (c) of section 1 of this letter agreement.

(b) Said agreed price shall be diminished by deducting therefrom:

(i) A depreciation allowance of One Hundred Seventy Thousand Dollars (\$170,000) per calendar month from September 30, 1954, to the close of business on the day preceding the Date of Closing (using a proportionate part of such monthly depreciation allowance for any part of a calendar month included in such period).

(ii) An amount equal to the excess, if any, of the amount shown in the Material and Supplies account on the balance sheet of your Company as of September 30, 1954 over the amount shown in the same account at the close of business on the day preceding the Date of Closing.

(iii) An amount equal to the amount, if any, by which the maintenance costs between September 30, 1954 and the last day of the calendar month preceding the Date of Closing aggregate an amount less than

7.1¢ times the Revenue Vehicle Miles operated by your Company during said period by those of your vehicles used by your Company for transportation of members of the public. For this purpose maintenance costs shall include all charges to Rail Accounts 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 15, 16, 17, 18, 19, 22, 23, 24, 29, 30, 32, 33, 36, 38, 45, 46, 47, 49; Trolley Coach Accounts 9001, 9016, 9018, 9022, 9023, 9024, 9029, 9030, 9033, 9036, 9038, 9045, 9046, 9047, 9049; Motor Coach Accounts 4110, 4121, 4122, 4128, 4140, and 4142.

(iv) An amount equal to the net amount, if any, realized after applicable costs and expenses and income and other taxes from the disposition between September 30, 1954 and the Date of Closing, of physical assets which are reflected on Exhibit B, other than materials and supplies, excluding, however, any amount so realized from the disposition of any physical assets abandoned or retired in connection with service changes authorized by the California Public Utilities Commission or other public agency having jurisdiction thereof, provided that the physical assets so excluded are reflected in Item 12 on Exhibit B hereto or consist of easements, rights-of-way tracks, and appurtenant facilities, identified on Exhibit E hereto.

(v) An amount equal to the net amount recovered by your Company, after deducting all applicable cost and expenses, from insurance carriers or others on account of any loss, theft, damage or destruction of physical assets which are reflected in Item 15 on Exhibit B hereto, other than material and supplies. The applicable cost and expenses shall include but not be limited to all costs of collection and all costs incurred for repairs to the damaged assets which repairs are not capitalized, but shall exclude taxes based on any income or gain arising from such transaction.

(vi) An amount equal to the amount shown as "Unredeemed Tokens" under liabilities on your balance sheet as of the close of business on the day preceding the Date of Closing, it being understood that this amount will be determined in the manner which you have heretofore customarily used for this purpose as indicating the probable liability for outstanding tokens rather than the aggregate amount of outstanding tokens and there shall be no further adjustment between us if a greater or lesser amount of tokens are actually presented than the amount shown in such account.

(c) Our Authority agrees to diligently use its best efforts to obtain the cash required to consummate the purchase herein agreed to be made, whether through the sale of our Revenue Bonds or otherwise.

III. Treatment of Liabilities.

1. Discharge of Liens. On or before the Date of Closing your Company will pay all its indebtedness and obligations (other than taxes and special assessments which are not delinquent) which shall then constitute a mortgage or other lien upon, or represent any unpaid portion of the purchase price of, the assets to be sold, conveyed and transferred by your Company and to be purchased by us hereunder, except your Company may either pay or provide, to our satisfaction, for the payment of current accounts payable.

2. Payment of Other Indebtedness. The indebtedness, obligations and liabilities of your Company which shall be (i) chargeable to operating expenses in accordance with good accounting practice, (ii) wages, salaries, and other compensation for services, (iii) payments pursuant to contract on the purchase price of assets delivered to our Authority after the Date of Closing which are not included within the assets to be transferred to our Authority from you, and (iv) payments pursuant to contract for the making or completion of additions or improvements subsequent to the Date of Closing, shall be treated as follows:

(a) Your Company will continue to be liable and will pay so much of such of its indebtedness, obligations and liabilities as shall have accrued to the close of business on the day preceding the Date of Closing, and our Authority will assume and become liable for and pay all such indebtedness, obligations and liabilities (including but not limited to those arising under the

contracts transferred to our Authority provided such contracts are not rejectable and rejected under paragraph 1(b) of Section I) which shall accrue thereafter. For the purposes of this agreement, vacation payments to any employee shall be deemed to accrue at the time when such employee commences his vacation, periodic pension payments shall be deemed to accrue when and as they become payable, and the full amount of all obligations of your Company to remove any abandoned streetcar trackage and to repave streets shall be deemed to accrue when your Company abandons (by discontinuance of the use thereof for transit service to the public) such trackage. All taxes, rent, insurance premiums, licenses, wages, salaries, contributions to retirement income plan, credits on contracts and similar payments, whether owing or prepaid, shall be prorated and adjusted between us as of the close of business on the day preceding the Date of Closing.

(b) In the event the purchase and sale herein described is consummated, all income and receipts after the close of business on the day preceding the Date of Closing from the assets and business of your Company acquired by our Authority shall be for the account of our Authority.

(c) The amount of such adjustments under this section III, and the amount of the agreed price as adjusted under section II hereof, shall be determined as closely as practical and paid hereunder on the Date

of Closing on the basis of books and records of your Company. The amount by which such adjustments under this section III and the net amount if any by which the agreed price as adjusted under section II hereof, as so determined, exceeded or fell short of the correct amount, and the net amount owing by one of us to the other by reason of all of said matters, shall be determined and certified as expeditiously as practical but in any event within 120 days after the Date of Closing by Price, Waterhouse & Co., or such other certified public accountants as we may mutually agree to substitute, on the basis of an audit of your books and accounts made by them as of the close of business on the day preceding the Date of Closing. The determination of such accountants, as so certified, shall be binding and conclusive on both of us. The net amount of such adjustments owing by either of us to the other, as so determined, shall be paid in lawful money of the United States promptly after receiving such certificate, and in any event within 20 days after the receipt of such certificate. The charges of such certified public accountants shall be paid by our Authority.

3. Contest of Liability. Either party hereto may contest in good faith with any third person or persons and at such party's sole cost and expense any obligation, indebtedness or liability which such party has assumed or agreed to pay hereunder, upon giving notice in writing to the other party, and, if required by such other party, upon making adequate provision to secure the payment thereof in case such contest should be unsuccessful.

4. Company to Indemnify. Your Company agrees, subject to the limitations in the last sentence of this paragraph, that you will indemnify and save and hold harmless our Authority and all its officers, agents and employees, past, present and future, and each of them, from and against any obligation, liability, loss, cost, damage, forfeiture and expense which may be incurred or suffered by our Authority or any of such persons with respect to any obligation, indebtedness or liability of your Company which you agree to pay above under this Section III and that you will defend at your cost and expense any and all actions or proceedings instituted against our Authority or any of such persons in which but only to the extent that there shall be asserted any claim or demand based upon any such obligation, indebtedness or liability which you so agree to pay. Your liability under this paragraph 4 of Section III shall be limited to claims and demands which shall be asserted and of which we shall have given you notice within six months after the Date of Closing.

5. Authority to Indemnify. We agree that we will indemnify and save and hold harmless your Company and its officers, directors, stockholders, predecessors, employees and agents, past, present or future, and each of them, from and against any obligation, liability, loss, cost, damage, forfeiture and expense which may be incurred or suffered by your Company or any of such persons, with respect to any obligation, indebtedness or liability which we incur and with respect to any obligation, indebtedness or liability which we have assumed or agreed to pay above under this Section III, and that we will at our cost and expense defend any and all actions or proceedings instituted against your Company or any of such persons in

which but only to the extent that there shall be asserted any claim or demand based upon any such indebtedness, obligation or liability which we incurred, assumed or agreed to pay.

6. Tickets and Tokens. All liability of your Company respecting tickets and tokens issued by your Company and outstanding at the Date of Closing will be assumed by the Authority.

IV. Service and Franchises.

1. Assumption of Service Obligations. Our Authority hereby agrees that, in the event we acquire your physical assets substantially to the extent provided in this letter agreement, we will assume and perform with respect to such assets all the obligations of service to the public.

2. In Lieu Payments: Cancellation of Franchises. Our Authority promptly will proceed to use its best efforts to negotiate and enter into agreements with the City of Los Angeles and with each other municipal corporation from which your Company holds a franchise that upon our Authority acquiring your physical assets:

(a) Our Authority will pay to each such municipal corporation, from and after the time of such acquisition by us, compensation in lieu of taxes or franchise payments in an amount not to exceed the taxes and franchise payments theretofore paid by your Company with respect to the assets and operations which our Authority has acquired.

(b) The municipal corporation will cancel all existing franchises held by your Company and will

release and return to you (or to us in the case of securities purchased by our Authority as herein provided) all liabilities, obligations, bonds and securities thereunder and will authorize the cancellation of any surety bonds and insurance policies held by said municipal corporation thereunder without payment by or liability of either our Authority or of your Company to said municipal corporation.

3. Indemnity by Authority. Our Authority further agrees that, upon and after the Date of Closing, we will indemnify and save and hold harmless your Company and its predecessors in interest and the officers, directors, stockholders, employees and agents of any of them, past, present and future, and each of them, from and against any and all obligations, liability, loss, cost, damage, forfeiture and expense which may be incurred or suffered by or asserted against your Company or any of such other persons under or in connection with any franchise which is owned, enjoyed or held by your Company at the time of the transfer of your physical assets to our Authority and which was employed by your Company in furnishing transit service with the physical assets so transferred provided that such obligation, liability, loss, cost, damage, forfeiture or expense is incurred or suffered or asserted either by reason of or in connection with the transfer of your physical assets to us or by reason

of or in connection with any matter, time, action, omission, violation, election, demand, transaction or event subsequent to such transfer. We will also defend at our cost and expense any and all actions or proceedings instigated against your Company or against any of such persons, in which but only to the extent that there shall be asserted any claim or demand arising under or in connection with any such franchise and against which we have agreed to indemnify and save and hold harmless.

4. Covenants of your Company. On and after our acquisition of your said physical assets you hereby agree that with respect to the franchises described in the last preceding paragraph 3:

(a) Except upon our written request or with our written approval, you will not exercise or attempt to exercise any of the rights and privileges of operating transit facilities thereunder;

(b) Except upon our written request or with our written approval, you will not transfer or attempt to transfer any of such franchises;

(c) Upon our written request and in accordance with our written instructions, and at our cost and expense, you will file such applications or requests with public agencies and public bodies as are appropriate to secure the termination of such franchises.

Nothing in this paragraph 4 contained shall in any wise limit the agreement of our Authority to indemnify and save and hold

harmless as set forth in the last preceding paragraph 3.

V. Continuance of Business

1. Company's Negative Covenants. Except with the prior written consent of the Authority, your Company agrees that it will not, between the date of this agreement and the Date of Closing:

(a) Enter into any contract or lease or engage in any transaction except in the ordinary course of business as you would reasonably conduct it if this agreement were not in effect;

(b) Enter into any contract or lease, or renew any existing contract or lease, for a term of more than two years, except a tire lease or leases for a term of not more than three years, and except a contract or contracts for the purchase of motor coaches and except leases of space in the building at 1060 South Broadway, Los Angeles, at rentals of not less than \$2.40 per square foot of leased space per year when such leases in the judgment of your Company will not subtract from or interfere with the use of such building as may in the future be necessary by the buyer after the consummation of the sale of your physical assets under this letter agreement;

(c) Completely abandon any line or area of service except under authorization from the California Public Utilities Commission or public agency having jurisdiction thereof;

(d) Merge or consolidate with or into any other corporation (other than a wholly owned affiliate acquired hereafter), or sell, lease or otherwise dispose of the title or possession of all or substantially all of your Company's assets to any person or other corporation;

(e) Sell any of your Company's physical assets having a book value, in the aggregate, of more than One Hundred Thousand Dollars (\$100,000) except properties against which eminent domain proceedings are instituted and except that this provision shall not apply to the disposal by your Company of abandoned or retired assets or assets no longer useful in its operations;

(f) Cease to maintain in effect insurance with respect to your Company's physical assets against the risks and in the amounts substantially as at the date of this letter agreement, or, after the date of this letter agreement, settle any claim on such insurance exceeding \$100,000 in any one case.

2. General. Subject to the foregoing provisions of this Section V your Company shall be free to conduct its business and operations between the date of this agreement and the Date of Closing in such manner as the board of directors and management of your Company shall determine and to make all such contracts and commitments and engage in all such transactions of every nature as your Company and its management may deem appropriate in the ordinary course of its business.

VI. Representations and Warranties by
Your Company; Limitations Thereon

1. Company's Representations and Warranties. Your Company represents and warrants as follows:

(a) The Company is a corporation duly organized and existing and in good standing under the laws of the State of California, and is engaged in operating a transportation system in Los Angeles County, carrying passengers by streetcar, motor coach and electric coach.

(b) The execution by your Company of an acceptance of this letter and the sale of its assets upon the terms and conditions set forth herein have been consented to by the holder or holders of a majority of the issued and outstanding capital stock of your Company and authorized by the Board of Directors of your Company.

The above representations and warranties in paragraphs 1(a) and 1(b) of this Section VI shall survive the closing of title hereunder.

(c) With respect to the parcels of real property numbered 1 to 23, inclusive, constituting Part One of Exhibit D attached hereto and made a part hereof, your Company represents, but does not warrant, that your Company has good and marketable title free from all liens and encumbrances except as otherwise stated in said Exhibit D. Such representation shall not survive the closing of title hereunder.

(d) With respect to all physical assets constituting personal property in any or all of the categories set forth under Part Two of Exhibit D hereto, your Company represents and warrants that it has good and marketable title to all such physical assets in said categories to be sold and transferred by your Company to our Authority, free and clear of liens and encumbrances except taxes not delinquent and except as otherwise stated in said Exhibit D. Furthermore, with respect to the securities described under clause (c) of Section 1 of this letter agreement, your Company represents and warrants that it has good and marketable title, free and clear of liens and encumbrances except the hypothecations referred to in said clause (c). Each of such representations and warranties with respect to personal property in the categories under Part Two of Exhibit D hereto and with respect to the securities described under said clause (c) shall be true at the Date of Closing, and such representations and warranties shall survive the closing of title provided however that your liability after the closing of title on account of such representations and warranties shall be limited to matters of which we shall have given you written notice within six months after the legislation referred to in Section VII of this letter agreement becomes effective as described in paragraphs 2 or 3 of said Section VII or within three months after the Date of Closing whichever of said

periods expires later.

(e) With respect to all other property real and personal of every nature whatsoever not included under Part One or Part Two of Exhibit D hereto and not constituting securities described under clause (c) of Section 1 of this letter agreement, such other property including but in nowise being limited to trolley lines, transmission lines, tracks, poles, rights-of-way, and various rights and privileges enjoyed either separately or jointly with others, your Company makes no warranties whatsoever but represents that its right, title and interest in such property is free and clear of any lien or encumbrance except taxes which are not delinquent and except easements, rights-of-way, reservations, restrictions, covenants, conditions, rights and interests which have not materially interfered with the purposes for which they are presently used by your Company. Such representation with respect to title to property under this paragraph shall not survive the closing of title hereunder.

(f) We understand that you would not enter into an agreement to sell, convey and transfer your assets as herein provided if the terms and conditions of such agreement were such that they would preclude your adopting a plan of liquidation and, within not more than a year after the adoption of such a plan, making provision for all your debts and distributing your remaining assets in accordance with such plan. We understand that for this reason, except as expressly set forth in Section VI, it

will not be feasible for you to give any representation or warranty with respect to any matter arising under or in connection with this agreement or any representation which shall survive the closing of title hereunder. We accordingly acknowledge to you that we have made or caused to be made such examination as we deem adequate with respect to all such matters and are now satisfied to acquire your properties and assets upon the terms and conditions herein set forth without any representation or warranty except as in this Section VI expressly set forth, and we agree that no other representation or warranty shall be implied.

(g) At any time and from time to time prior to the Date of Closing and for 120 days thereafter, you will make available for examination by our Authority and our agents and representatives, all of your records which show the changes in the properties and assets which you are to sell, convey and transfer to us, and which we are to purchase, and in the contracts and other indebtedness, obligations and liabilities which we are to assume and pay hereunder.

VII. Legislation: Condition of Agreement.

1. Proposed Legislation. Exhibit A is a statement of the amendments to the Los Angeles Metropolitan Transit Authority Act (Chap. 1668, California Laws of 1951) which in our opinion and in the opinion of our counsel are necessary

and appropriate in order to permit our Authority to accomplish its objectives and to carry out our plans, and you have indicated your approval of such amendments for such purpose.

We will take appropriate action to cause such legislation to be introduced and we will recommend to the proper legislative bodies and to the Governor of the State of California that such legislation be enacted and approved, but our Authority agrees to oppose such legislation becoming effective if it has not become effective as described in paragraph 2 or 3 hereof prior to the termination of this letter agreement.

2. Legislation a Condition. This letter agreement shall become effective and binding upon the effective date of amendments to the Los Angeles Metropolitan Transit Authority Act which shall be substantially the same as those set forth in Exhibit A attached hereto. Without in anywise limiting such requirement, such amendments shall be sufficient:

(a) to authorize our Authority to acquire such physical assets, from your Company for cash and to issue our Revenue Bonds without further legislation and without requiring action by the Public Utilities Commission or other regulatory body; and

(b) to authorize our Authority to function as an independent agency without supervision by the Public Utilities Commission, or other regulatory body.

3. In Event Approval by P.U.C. Required. If such legislation shall become effective substantially the same as the amendment set forth in Exhibit A hereto except that the

sale of your properties and assets to our Authority shall require the approval of the Public Utilities Commission, then such sale of your properties and assets on the terms and conditions stated in this letter agreement shall be subject to the approval of the Commission without change and your Company will promptly file and diligently prosecute an application to the Commission to secure such approval and our Authority will join in such application and the prosecution thereof and will recommend and urge that it be approved. In the event such legislation becomes effective as described in this Paragraph 3, then on the effective date of such legislation this letter agreement shall become effective and be binding upon both our Authority and your Company (except that the consummation of the sale hereunder shall be subject to obtaining the approval of the Commission as above described) unless this letter agreement has been or is thereafter terminated as elsewhere herein provided.

4. Re-execution After Legislation Becomes Effective.

If legislation complying with paragraph 2 or 3, of this Section VII, shall become effective before the termination of this letter agreement, either by its terms or by notice of termination as herein provided or permitted, our Authority agrees to immediately ratify, confirm, and re-authorize this letter agreement and thereupon your Company and our Authority shall re-execute this letter agreement at that time but the date of this letter agreement shall still be applicable to the several covenants and adjustments referring to the date of this letter agreement.

5. Dispute Respecting Legislation. If there is any dispute between your Company and our Authority as to whether legislation shall have become effective which complies with the requirements of paragraph 2 above or shall have become so effective except for the contingency specified in paragraph 3 above, either party hereto shall have a right to commence an action against the other party hereto for a determination of that issue or those issues, and each of the parties agrees to use its best efforts to facilitate the earliest practical decision thereof. Neither party hereto shall be liable for damages for any delay in consummating the purchase and sale hereunder prior to, or be obligated to consummate such purchase and sale until, sixty (60) days after such decision becomes final.

6. Termination. Notwithstanding any other provisions of this letter agreement this letter agreement may be terminated as follows:

(a) If the purchase and sale described in this letter agreement has not been consummated on or before March 31, 1958, then at any time after said date and prior to the consummation of such purchase and sale your Company may give a written notice of termination to our Authority, in which event (unless such purchase and sale is sooner consummated) this letter agreement shall terminate at the close of business on the 120th day after the giving of such notice of termination or

on such later date as may be stated as the termination in such notice of termination, or

(b) If the purchase and sale described in this agreement has not been consummated on or before the close of business December 31, 1959, then at that time, and at any time thereafter prior to the consummation of such purchase and sale, either our Authority or your Company may terminate this letter agreement by giving written notice of termination to the other.

(c) Any notice of termination given as above provided may be withdrawn by the party giving the same by means of a like written notice given prior to the expressed date of termination or such expressed date of termination may be postponed to a later date by a similar notice in writing given by the same party. Upon any termination of this agreement provided for in this paragraph 6, neither of us shall have any claims or rights against the other or any duties to the other.

VIII. Employment.

1. Employment by the Authority. In addition to any obligations under Section 1 of this letter agreement with respect to your employees, the Authority agrees to employ for a period of at least one year after Date of Closing, all employees of your Company who elect to be so employed, including the classifications and subject to the conditions as set forth below:

(a) All operating, maintenance, accounting and clerical

personnel as well as other classifications, of the functional organization that are required in and essential to the direct performance of passenger transit service to the public at Date of Closing.

(b) All full-time personnel of the executive and management departments occupying positions that were in existence as of September 30, 1954.

(c) All persons devoting full-time services to your Company under arrangements with other corporations, in positions and under agreements that were in effect as of September 30, 1954 and continuing to exist as of Date of Closing.

(d) Employment of all such persons will be on terms not less favorable as to rates of compensation, working conditions and pensions, insurance, medical and other benefits than those enjoyed on Date of Closing, except that all salary rates of compensation to be paid by the Authority that are not fixed by union agreements in effect at Date of Closing, shall be no greater than those in effect as of September 30, 1954 plus reasonable increases to Date of Closing, said increases to be not appreciably different from like increases granted to the same type of positions by other branches of industry in the same area during the same period of time.

(e) The Authority will continue such employment of each such person after one year to the extent that operations on the properties acquired from your Company require personnel

to perform like services, provided that individual employee performance shall be satisfactory to the Authority and that the personnel organization under public ownership of the Authority may require the same executive and managerial positions as are in effect under Company ownership and operation.

2. Union Contracts. It will be the policy of our Authority to continue the contractual relationships in effect at the Date of Closing with labor organizations to which your Company is a party. Your Company will execute and cause to be executed assignments to the Authority of all of the rights and interests of your Company under then existing contracts with labor organizations relating to the systems to be transferred hereunder to the fullest extent such are assignable. Our Authority will accept the transfer of such contracts and assume your Company's obligations thereunder and will adopt their terms including those relating to rates of compensation, working conditions and pension, insurance, medical, severance and other benefits. A list of your Company's contracts now in effect with labor organizations is included as a part of Exhibit C attached hereto.

IX. Closing.

1. Place, Date. In the event that the conditions set forth in paragraph 2 of Section VII above shall be satisfied, the closing of title and the payment in cash of the purchase price hereunder shall take place, unless otherwise agreed between us in writing, at the main office of the Bank of America NT&SA in the City of Los Angeles, California, on the first business day of the sixth calendar month following the calendar month in which the legislative amendments referred to in paragraph 1 of Section VII shall become effective. Such day is herein referred to as the "Date of Closing".

2. Date if PUC Approval Required. If such legislation shall become effective except for the contingency described in paragraph 3 of Section VII, the Date of Closing shall be the first business day of the second calendar month following the calendar month in which occurs the issuance of a final order of the Public Utilities Commission granting such approval without change, unless otherwise agreed between us in writing.

3. Latest Date Applicable. If more than one of the foregoing provisions for the determination of the Date of Closing is applicable, the latest date so determined shall be applicable unless otherwise agreed between us in writing.

4. Closing Details. At the time and place of closing:

(a) You will cause to be duly executed, acknowledged and delivered to us an instrument of assignment, transfer and conveyance of all of the physical assets,

contracts and hypothecated securities to be sold, conveyed and transferred to us under Section I of this letter agreement, it being understood and agreed that no representations or warranties, express or implied, shall arise from any such instrument or from your obligation to make and deliver the same to our Authority but this shall in nowise negative or prejudice (nor add to nor extend) the express representations and warranties as expressed, for the limited times, set forth in Section VI of this letter agreement;

(b) You will cause to be issued to us at your expense a standard form owner's policy of title insurance of Title Insurance and Trust Company, with liability in the sum of \$6,500,000, or such different amount as may be mutually agreed upon in writing in view of any changes prior to the Date of Closing in the real property included in such insurance, insuring that title to the real property described in Part One of Exhibit D hereto is vested in our Authority subject only to the respective defects, liens and encumbrances set forth in Exhibit D and relating to said real property;

(c) You will duly endorse for transfer and delivery to us Certificates of Ownership issued by the State of California with respect to all automotive equipment to be sold, conveyed and transferred to us under this agreement;

(d) You will deliver to us and both of us shall initial a statement, similar to that contained in Exhibit C hereto attached, describing, individually or by categories as of the close of business on the day preceding the Date of Closing, the contracts which our Authority is to assume hereunder, subject to the right of rejection of our Authority under certain circumstances as expressly provided elsewhere in this letter agreement;

(e) Our Authority will cause to be paid to your Company in lawful money of the United States the amount of the cash purchase price determined under Section II above.

5. Additional Documents. On the Date of Closing, or with reasonable promptness thereafter, you will also cause to be duly executed, acknowledged and delivered to us such additional deeds and all other instruments of assignment, transfer, conveyance and further assurance as shall be sufficient to vest in us all the physical assets and contracts to be sold, conveyed and transferred to us under this letter agreement, or intended so to be, it being understood and agreed that no representations or warranties, express or implied, shall arise from any such deed or other instrument or from your obligation to make and deliver the same to our Authority but this shall in nowise negative or prejudice (nor add to nor extend) the express representations and warranties as expressed, for the limited times, set forth in Section VI of this agreement.

6. Stamp Taxes, etc. Your Company will pay or cause to be paid all required Federal and State documentary stamp taxes and other taxes in connection with the transfer of properties hereunder, except as otherwise expressly provided in this letter agreement.

7. Defense of Suits. Both our Authority and your Company agree to join and cooperate in the defense of any suit, action, or proceeding which shall attack, question or put in issue the validity of this instrument or the power of either of us to carry out and perform hereunder, subject to the terms and conditions herein stated. If any such litigation shall be instituted which shall have the effect of delaying the closing of title hereunder, the parties hereto may, but shall not be obligated to, (a) from time to time agree upon an adjournment of the Date of Closing until a fixed date in the future or (b) agree that the Date of Closing may be fixed by a notice in writing given by either party to the other specifying a date not less than thirty (30) nor more than sixty (60) days after the giving of such notice.

X. Disputes.

1. Closing Despite Disputes. If any dispute shall arise between us on or prior to the Date of Closing which shall not basically affect the obligations hereunder of your Company to convey its physical assets and contracts or of our Authority to purchase and operate such assets as contemplated hereby, the Date of Closing shall not be adjourned but the

closing of title and the payment in cash of the purchase price hereunder shall be completed subject to the subsequent settlement of such dispute.

2. Arbitration of Certain Disputes. If any such dispute, which we shall be unable to settle among ourselves, shall arise (a) under Section III above as to which of us shall be liable for any indebtedness, obligation or liability thereunder, or as to the method of providing for any contested liability, or involving any indemnifications, or (b) as to whether any particular properties or assets are to be sold and transferred to us hereunder, such dispute shall be determined by arbitration. In such case each of us shall select an arbitrator and such two arbitrators shall choose the third. If either of us shall fail to appoint an arbitrator within ten (10) days after notice from the other or if the two arbitrators so appointed shall fail to select the third within ten (10) days of the selection of such two arbitrators, then such arbitrator or arbitrators shall be appointed by the President of the State Bar of California. The award of a majority of such arbitrators shall be final and conclusive on both parties. The Authority and your Company shall each pay its own costs and expenses relating to the arbitration including the charges of any arbitrator which either may individually appoint or which may be appointed for either of them by the President of the State Bar of California, and shall share equally the charges of the third arbitrator. All meetings of the arbitrators shall be held in the City of Los Angeles.

3. Suits to Enforce Agreement. Except as specifically provided above, each of us reserves the right to bring any appropriate action or proceeding, including an action for specific performance, in any court of competent jurisdiction, to enforce the rights and obligations hereunder, but neither of us shall have any right to claim damages against the other party in the event that such other party acting in good faith is nevertheless prevented by action of a third person or other reason beyond its control from completing performance hereunder.

XI. Notices.

1. Form; Manner of Giving. Any notice required or permitted to be given hereunder shall be sufficiently given if in writing and either served personally upon an officer of the party to whom it is addressed or mailed to such party by first-class registered mail, postage prepaid. For such purposes, the address of our Authority shall be 2233 Beverly Boulevard, Los Angeles 57, California, and the address of your Company shall be 1060 South Broadway, Los Angeles 15, California, but either party may by notice hereunder request that subsequent notices hereunder be sent to such party at a different address.

XII. Entire Agreement; Interpretation.

1. Agreement Entire; Not for Benefit of Third Parties. This letter agreement sets forth the entire agreement between your Company and our Authority, terminates and replaces any and all prior agreements or understandings between us whether written or oral, and there are no other

representations or understandings except as herein contained. This letter agreement may not be modified or supplemented except by an agreement in writing signed by your Company and by our Authority. This letter agreement is made solely for the benefit of your Company and our Authority, and their respective successors, and no other person shall acquire or have any right under or by virtue of the terms of this letter agreement, except as provided in Section VIII above. The term "successor" shall not include any purchaser, as such purchaser, of any of the securities of our Authority.

2. Headings. All headings of the several sections and paragraphs of this letter agreement are inserted for convenient reference only and are not intended to extend, limit or affect the meaning of this agreement by inference or otherwise.

If the foregoing is in accordance with your understanding, will you please so indicate at the foot of the attached copy of this letter and return such copy to us, in which case, such duplicates of this letter shall constitute a continuing agreement between us.

Yours very truly,

LOS ANGELES METROPOLITAN
TRANSIT AUTHORITY

By HAYDEN F. JONES
Chairman

By RALPH P. MERRITT
Secretary

Accepted at Los Angeles, California,
this 1 day of August, 1956

LOS ANGELES TRANSIT LINES

By E. C. HOUGHTON
President

LIST OF EXHIBITS

- A. Legislation
- B. Condensed Summary of Valuation
- C. List of Contracts
- D. Certain Title Matters
- E. Identification of certain physical
properties abandoned (in addition to
those reflected in Item 12 on
Exhibit B hereto)

AMENDED IN SENATE _____, 1955

CALIFORNIA LEGISLATURE--1955 REGULAR SESSION

SENATE BILL

No. 1308

Introduced by Senator Richards

January 20, 1955

Referred to Committee on Transportation

An act TO ADD SECTIONS 4.22, 6.10 AND 11.11 TO, TO REPEAL SECTIONS 2.14, 5.43 AND 13.4 OF, AND to amend Sections 1.1, 2.6, 2.7, 2.8, 3.2, 3.3, 3.5, 3.6, 3.7, 3.9, 4.3, 4.4, 4.5, 4.6, 4.8, 4.9, 4.10, 4.12, 4.13, 4.15, 4.16, 4.20, 4.21, 5.1, 5.13, 5.14, and 5.18, 5.32, 6.5, 7.1, 11.1, AND 12.1 of the "Los Angeles Metropolitan Transit Authority Act," relating to the organization, powers and duties of said authority.

The people of the State of California do enact as follows:

EXHIBIT "A"

Section 1. Section 5.1 of the Los Angeles Metropolitan Transit Authority Act is amended to read:

Sec. 5.1. The authority may issue revenue bonds for the acquisition, construction or completion of the system or any part thereof, and such revenue bond issue may include the incidental expenses (legal, engineering, fiscal and other) connected with issuing and disposing of the bonds and an amount for financing or the creation of an operating fund and all incidental expenses connected with the acquisition, construction or completion of the system or any part thereof. The total amount of revenue bonds that may be issued by the authority shall not be limited as to aggregate principal amount, except as the authority may provide in any resolutions or indenture relating to the issue of any revenue bonds hereunder.

Sec. 2. Section 5.18 of said act is amended to read:

Sec. 5.18. An indenture may include a clause requiring, specifying or limiting the kind, amount and character of insurance to be maintained by the authority on the system, or any part thereof, and the use and disposition of the proceeds of any such insurance thereafter collected. Such insurance may include fire, casualty, fidelity, public liability, property damage, or any other type or kind of insurance deemed desirable by the authority.

Sec. 3. Section 1.1 of said act is amended to read:

Sec. 1.1. It is hereby declared to be the policy of the State of California to develop interurban mass rapid transit systems in the various metropolitan areas within the State for the benefit of the people. A necessity exists within ~~a portion of~~ Los Angeles County, Orange County and those portions of San Bernardino and Riverside Counties which lie west of 117° West Longitude and south of 34° 30' North Latitude (hereinafter sometimes called "metropolitan area") for such a system. Because of the numerous separate municipal corporations and unincorporated populated areas ~~in that portion of Los Angeles County within the area of the entire San Fernando Valley west of the west boundary of the City of Glendale, and within four (4) miles on each side of the main channel of the Los Angeles River from San Fernando Valley to the mouth of the river at Long Beach~~ the metropolitan area hereinbefore described , only a specially created authority can operate freely effectively in said ~~portion of that county~~ metropolitan area. Because of the unique problem presented by that ~~portion of the county~~ metropolitan area and the facts and circumstances relative to the establishment of ~~an interurban~~ a mass rapid transit system therein, the adoption of a special act and the creation of a special authority is required.

Sec. 4. Section 2.6 of said act is amended to read:

Sec. 2.6. ~~"County" means Los Angeles County, State of California, the boundaries of which are established by Section 23119 of the Government Code of the State of California.~~
"Metropolitan area" means the area described in the second sentence of Section 1.1 of this act.

Sec. 5. Section 2.7 of said act is amended to read:

Sec. 2.7. "Mass Rapid rapid transit" means transportation of passengers, mail and hand baggage ~~in, through or between any two or more municipal corporations or unincorporated populated areas or municipal corporations and unincorporated populated areas,~~ within the metropolitan area of the entire San Fernando Valley west of the west boundary of the City of Glendale, and within four (4) miles on each side of the main channel of the Los Angeles River from San Fernando Valley to the mouth of the river at Long Beach, by means of ~~suspended overhead monorail en routes which the California Public Utilities Commission has first determined are required by public convenience and necessity, together with any supplemental feeder bus lines which established common carriers of passengers serving the area decline to provide after that commission has determined they are required by public convenience and necessity-~~ motor bus, trolley coach, street railway, rail, suspended overhead monorail, elevated railway, subway, or any other surface, overhead or underground transportation or any combination thereof; provided, however, that the words "mass rapid transit" shall not be construed to include any service in Orange, Riverside and San Bernardino Counties except interurban service, and the authority is authorized to provide only interurban service in said three counties .

"Interurban" as used in this act shall mean transportation in, through or between any two or more municipal corporations or unincorporated areas or a municipal corporation or corporations and an unincorporated area or areas.

Sec. 6. Section 2.8 of said act is amended to read:

Sec. 2.8. "System" means all real and personal property ~~, licenses, franchises, patents, rights and interests~~ of every kind and nature whatsoever owned or held at any time ~~or to be owned or held~~ by the authority for mass rapid transit , including (without limiting the generality of the foregoing) rights of way, rail lines, bus lines, stations, platforms, terminals, structures, rolling stock, equipment, and facilities (including parking and other facilities necessary or convenient for access of persons and vehicles to stations, terminals, yards, control houses, cars, buses, signals and stations).

"Existing system" means all real and personal property of every kind and nature whatsoever, owned or held by any person other than the authority for mass rapid transit, including (without limiting the generality of the foregoing) licenses, franchises, patents, rights and interests.

Sec. 7. Section 2.14 of said act is repealed.

Sec. 8. Section 3.2 of said act is amended to read:

Sec. 3.2. The authority is a public agency and a public corporation of the State of California. ~~The authority in all respects shall be subject to the same regulations, restrictions and restraints as if it were a privately owned and operated carrier and shall be subject to the jurisdiction of the Public Utilities Commission and all other laws applicable to privately owned and operated carriers.~~

Sec. 9. Section 3.3 of said act is amended to read:

Sec. 3.3. ~~The powers and activities of the authority are limited to the county.~~ The powers and jurisdiction of the authority to maintain and operate mass rapid transit are limited to the metropolitan area. The territorial limits of the authority shall not be diminished or decreased so long as any bonds issued under this act are outstanding and unpaid. Bonds shall not be deemed outstanding within the meaning of this section if moneys sufficient to pay the same and all interest thereon have been set aside irrevocably in a special or trust fund for that purpose and the indenture under which such bonds were issued provides that such bonds shall not be deemed to be outstanding in such event.

Sec. 10. Section 3.5 of said act is amended to read:

Sec. 3.5. Each member of the authority shall be, and shall hold office only so long as he is, a resident of and registered voter in the ~~county~~ metropolitan area. Each member of the authority shall be paid the sum of ~~twenty~~ fifty dollars (~~\$20~~) (\$50) for each meeting attended, but not to exceed ~~one~~ two hundred dollars (~~\$100~~) (\$200) in any calendar month, and shall be reimbursed for actual necessary traveling and other expenses incurred by him in the performance of his duties, payable exclusively out of the funds of the authority available therefor. No member of the authority shall be allowed any other fees, perquisites or emoluments, reward or compensation for his services as a member of the authority.

Sec. 11. Section 3.6 of said act is amended to read:

Sec. 3.6. (a) The authority shall appoint a chairman, who shall be a member of the authority, and shall also appoint

a secretary and a treasurer. The authority may also appoint a vice chairman from its members, said vice chairman to act as chairman in the absence or inability of the chairman. The secretary may be a member of the authority. The treasurer shall not be a member of the authority ~~and shall not be engaged in any other business or employment during his tenure of office~~ . The authority may appoint ~~a general manager~~ an executive director, who may be a member of the authority, and who shall be a man of recognized ability and experience, to hold office during the pleasure of the authority. Subject to the general control of the authority, to the requirements and restrictions of any indenture under which bonds are at any time outstanding, and to the provisions of any contract for superintendence as authorized by subdivision (b) of this section 3.6, the executive director ~~The general manager~~ shall have management of the properties and business of the authority and the employees thereof, ~~subject to the general control of the authority,~~ shall direct the enforcement of all resolutions, rules and regulations of the authority, and shall perform such other duties as may be prescribed from time to time by the authority. The authority may appoint a general attorney and a chief engineer, and shall appoint or provide for the appointment of other officers, attorneys, engineers, consultants, agents and employees as may be necessary for any purpose of the authority, including, but not limited to, engineering and other

studies and the acquisition, construction, extension, operation, maintenance and policing of the system , and may contract with any thereof and with the executive director but no such contract shall be for a term of longer than five (5) years. It shall define their duties and require bonds of such of them as the authority may designate. The compensation of the ~~general-manager~~ executive director , general attorney, chief engineer, and all other officers, attorneys, consultants, agents and employees shall be fixed by the authority, and such compensation shall be paid out of funds of the authority available for that purpose. The authority may employ a fiscal agent or adviser and may retain the services of such agents as may be deemed advisable to assist in the sale and distribution of the authority's bonds or the underwriting thereof.

(b) The authority may make a contract for superintendence with any corporation (sometimes in this act referred to as the Superintending Corporation) which has executive personnel with experience and skill applicable to the superintendence of the operation and maintenance of any part of the system for the furnishing of its services and the services of experienced and qualified personnel for the superintendence of the operation and maintenance of the system or any part thereof, including, without limiting the generality of the foregoing, superintendence over personnel, purchases, properties and operations and matters relating thereto.

and any revenue bond indenture may require such contract. The personnel whose services are so furnished under such contract shall not include the executive director or general attorney. No such contract shall extend beyond the term of ten years or such longer time as there are outstanding any revenue bonds under an indenture which requires such contract. In any such contract with a corporation for superintending services, the duties of such corporation shall be designated. The compensation of such corporation for services rendered under such contract shall be such as is provided therein and, without limiting the generality of the foregoing, such compensation may be in fixed amounts or may be related to revenues of the system or some portion or portions thereof. Neither such contract, nor the corporation which is a party thereto with respect to its rights and duties thereunder, shall be subject to control or regulation by the Public Utilities Commission or by any political subdivision of the State of California other than by the authority as provided in such contract.

Sec. 12. Section 3.7 of said act is amended to read:

Sec. 3.7. The treasurer shall execute a bond with corporate sureties to be approved by the authority. The bond shall be payable to the authority in whatever penal sum may be directed by the authority conditioned upon the faithful performance of the duties of the office and the payment of all money received

by him according to law and the orders of the authority. The authority may, at any time, require a new bond from the treasurer in such penal sum as may then be determined by the authority. The obligation of the sureties shall not extend to any loss sustained by the insolvency, failure or closing of any national or state bank wherein the treasurer has deposited funds if the bank has been approved by the authority as a depository for such funds. All funds deposited by the treasurer in any bank shall be placed in the name of the authority, shall be secured as provided in Section 4.17 of this act, and shall be withdrawn or paid out only by check or draft upon the bank, signed by ~~the treasurer and countersigned by the chairman or general manager of the authority~~ such officer or officers, or employee or employees, as may be designated by the authority; provided, however, that revenue bonds of the authority may be paid in the manner provided in the bond indenture. The authority may establish separate funds, trust funds, sinking funds, reserve funds and any other fund or funds deemed necessary or convenient and may provide for the uses thereof and the methods of making payments therefrom, and may make covenants in any revenue bond indenture relating to any such fund or funds. ~~The authority may designate any of its members or any officer or employee of the authority to affix the signature of the chairman and another to affix the signature of the treasurer to any check or draft for~~

~~payment of salaries or wages and for the payment of any other obligation of not more than two thousand five hundred dollars (\$2,500).~~ In case any officer or employee whose signature appears upon any check ceases to hold his office after so signing, but before the delivery thereof to the payee or presentation thereof for payment, his signature nevertheless shall be valid and sufficient for all purposes with the same effect as if he had remained in office or employment until delivery thereof.

Sec. 13. Section 3.9 of said act is amended to read:

Sec. 3.9. A majority of the members of the authority constitute a quorum for the transaction of business and , subject to the next sentence, may act for the authority. All action of the authority shall be by a majority vote of its members, except as otherwise provided in this act, and except that any indenture under which revenue bonds of the authority are issued and outstanding may provide that certain acts of the authority shall require a vote of two-thirds of the full number of the members thereof and in such cases such two-thirds vote shall be required.

Sec. 14. Section 4.3 of said act is amended to read:

Sec. 4.3. The authority may acquire by grant, purchase, gift, devise or lease, and may hold, use, sell, lease or dispose of, ~~any~~ real and personal property of every kind and nature whatsoever, licenses, ~~franchises,~~ patents, rights and interests necessary for the full exercise, or convenient or

useful for the carrying on of, any of its powers pursuant to the provisions of this act. ~~Wherever under then-existing statute, ordinance or law a franchise, permit, license or authorization is required for a public utility, then this authority shall acquire a similar franchise, permit, license or authorization in the same manner and pursuant to the same procedure, terms and conditions as are required of a public utility.~~

Sec. 15. Section 4.4 of said act is amended to read:

Sec. 4.4. The authority shall have power to acquire, construct, complete, develop, own, operate and maintain the system in the ~~county~~ metropolitan area; including power to acquire by purchase, lease, gift or otherwise all or any part of any patents, licenses, rights, interests, engineering studies, data or reports owned or held by any person and determined by the authority to be necessary, convenient or useful to the authority in connection with the acquisition, construction, completion, development, ownership, operation or maintenance of the system.

Sec. 16. Section 4.5 of said act is amended to read:

Sec. 4.5. The authority shall have power to enter into agreements for the joint use of any property and rights by the authority and any public utility operating any transportation facilities; to enter into agreements with any public utility operating any transportation facilities either within or without

the ~~county~~ metropolitan area for the joint use of any property of the authority or public utility, or the establishment of through routes, joint fares and transfer of passengers.

Sec. 17. Section 4.6 of said act is amended to read:

Sec. 4.6. The authority may exercise the right of eminent domain for the condemnation of real or personal property or any right or interest therein for its use within the metropolitan area ~~county~~, including the power to acquire real property in fee simple or any lesser estate or interest for rights of way or other uses of the authority. No publicly owned property shall be taken, or condemnation proceedings instituted therefor, without the consent of the public agency or public corporation owning or controlling such publicly owned property, nor shall any privately owned public utility be taken or condemned without consent of such utility. Sections 1401 to 1421, both inclusive, of the Public Utilities Code shall not apply to any such condemnation of property of a privately owned public utility with the consent of such public utility at a price agreed to between the authority and such public utility, and the Public Utilities Commission of the State of California shall have no jurisdiction with respect thereto.

Sec. 18. Section 4.8 of said act is amended to read:

Sec. 4.8. Whenever the authority acquires any existing system or portion thereof (whether motor buses, trolley coaches,

streetcars or other types of mass transit) it may continue to maintain and operate such system or portion thereof in, upon and across any and all streets, highways, freeways and other public places upon which such system or portion, as the case may be, was operated at the time the same was acquired by the authority. The authority shall not construct (excluding, however, any repair or reconstruction of the structure of any existing system acquired by the authority) any subways, elevated railways, monorail, or any other structures constituting a method of mass rapid transit in, upon, over, under or across public streets, highways, freeways and other public places without the consent of the city, county or state having jurisdiction over such street, highway, freeway, or other public place. The authority may operate motor bus lines and motor buses upon any public streets, highways, ways or freeways, and, subject to the requirements of the last preceding sentence with respect to new structures, may operate any other method of mass rapid transit in, upon, over, under or across public streets, highways, freeways and other public places. The authority shall have power to construct, operate and maintain the system in, under, upon, over, across or along any public street, highway, or waterway under agreement with or franchises from the United States of America or the State of California, the county, district, or the governing body of the municipal corporation which has jurisdiction over such street, highway or waterway, and in, under, upon, over or across

~~any vacant public lands which are or may become the property of the United States of America, the State of California, the county or any public corporation in the county by agreement with the United States of America, the State, the county or such public corporation. In the event the use by the authority of any existing public street or highway or crossings thereof or removal of public utilities necessitates changes therein or expenditures, the cost thereof shall be borne by the authority.~~

Sec. 19. Section 4.9 of said act is amended to read:

~~Sec. 4.9. Subject to the jurisdiction of the Public Utilities Commission, the~~ The authority may fix rates, fares, tolls, charges, rents or other charges for the use of the system acquired, constructed, operated or maintained by the authority and may alter, change or modify the same, all subject to the covenants in any revenue bond indenture pursuant to which revenue bonds have been issued and are outstanding which contains covenants in accordance with any contractual obligation which may be entered into by the authority with respect to the fixing of such rates, fares, tolls, charges and rents.

Sec. 20. Section 4.10 of said act is amended to read:

~~Sec. 4.10. Subject to the jurisdiction of the Public Utilities Commission, the~~ The authority may enter into covenants to fix and to maintain minimum rates, fares or charges, or rates, fares or charges sufficient at least to pay expenses of maintenance, operation and administration and to service the outstanding bonds and other obligations of the authority, if

any , including but not limited to any amounts required for reserve, sinking or other special funds provided in the indenture ; and it may also enter into covenants to increase rates, fares or charges from time to time as may be necessary pursuant to any such contract or agreement with the holders of any bonds or other obligations of the authority.

Sec. 21. Section 4.12 of said act is amended to read:

~~Sec. 4.12. Subject to the provisions of the Public Utilities Act and authorization pursuant thereto from the Public Utilities Commission, the~~ The authority may make contracts, leases and agreements with any person or public corporation or with the State of California or with the United States of America and may generally perform all acts necessary for the full exercise of the powers vested in it.

Sec. 22. Section 4.13 of said act is amended to read:

~~Sec. 4.13. Subject to the provisions of the Public Utilities Act and authorization pursuant thereto from the Public Utilities Commission, the~~ The authority may sell, lease, convey or otherwise dispose of any of its rights, interests or properties after the purposes for which they are acquired have been fully satisfied or modified . It may sell, lease or otherwise dispose of, at any time, any surplus materials or other property not needed for its requirements or for the purpose of carrying out this act. Any revenue bond indenture may provide limitations upon the exercise of the powers stated in this section, and such

limitations shall apply so long as any of the revenue bonds issued pursuant to such indenture are outstanding and unpaid.

Sec. 23. Section 4.15 of said act is amended to read:

Sec. 4.15. The authority shall by resolution make all rules and regulations governing the use, operation and maintenance of the system and shall determine all routings and change the same whenever it is deemed advisable by the authority ~~,--subject-to-the-provisions-of-all-ordinances granting-franchises-to-the-authority-~~ ; provided, however, that any revenue bond indenture may place limitations and conditions upon the exercise of such powers or any thereof.

Sec. 24. Section 4.16 of said act is amended to read:

Sec. 4.16. ~~Subject-to-the-provisions-of-the-Public Utilities-Act-and-authorization-pursuant-thereto-from-the-Public Utilities-Commission,-the~~ The authority shall have power to lease the system or any part thereof to, or contract for the use of the system or any part thereof by, any operator ; provided, however, that any revenue bond indenture may prohibit, limit or restrict the exercise of such power.

Sec. 25. Section 4.20 of said act is amended to read:

Sec. 4.20. One of the purposes of this act is to coordinate any operations of the authority with the operations of any then existing transit-facilities system, and no other section of this act shall relieve the authority from the limitations, obligations and requirements of this Section 4.20. If the

authority proposes, and shall then be ready, able and willing, to establish, construct, complete, acquire, operate, extend or reroute (all of the foregoing being hereinafter referred to by the word "establish" in all forms thereof), directly or indirectly, either itself or by lease or contract with any other person or persons or otherwise, any mass rapid transit service or system in such manner or form as will or may, either then or at any time in the future, divert, lessen or compete for the patronage or revenues of the existing system of a privately owned public utility (excluding any subsequent extension or rerouting of the latter) situated entirely within the metropolitan area, then the authority shall give to each such public utility prior written notice of the proposed establishment of such service or system in sufficient detail to fully apprise such public utility of the form, nature and extent thereof and (subject to the restrictions of this Section 4.20) of the time within which the authority intends to establish such service.

Until 120 days after receipt of such notice by each such public utility, the authority shall not establish any such proposed service or system. At any time after receipt of such notice, or if the authority without giving such notice establishes any such proposed service or system in violation of this Section 4.20 then at any time after establishment of such service or system, and in either event until the expiration of 120 days after

the receipt of such a notice, each such public utility shall have the option, in its sole discretion to be exercised by written notice to the authority, (i) to require the authority to purchase that portion of the existing system of such public utility (as designated in such written notice) the patronage or revenue from which will or may be diverted, lessened, or competed for by the establishment of the proposed service or system by the authority or (ii) to require the authority to purchase all of the existing system of such public utility.

If such public utility elects the relief described under clause (i) or (ii) above, then unless within ninety (90) days after receiving written notice of such election the authority gives such public utility notice in writing that it has abandoned any intention to establish the proposed service or system of which it gave notice and has abandoned any such service or system which it established without giving such notice in violation of this Section 4.20, the authority shall be obligated to such public utility for the relief so elected and the authority shall not establish the proposed service or system until it has completed the purchase of all or part of the existing system of such public utility in accordance with such election. The purchase price to be paid for such existing system (intending thereby only a portion of the existing system when the election has been to sell only such portion) shall be the reproduction cost new (including going concern value) of such existing system at the

date of the giving of the notice of election, less depreciation
(including wear and tear and obsolescence, if any) to date of
transfer or to the 180th day after the giving of the notice of
election whichever date occurs earlier; but in no event less
than the average annual gross revenue for the preceding three
calendar years of such existing system. In the event that such
public utility has elected relief under clause (i) above, it
shall be entitled as a part of such price to severance damages
for the loss of value of the unsold portion of the existing
system of such public utility; and in the event such public
utility has elected relief under clause (ii) above, the authority
shall assume all payments becoming due after the date of purchase
on all contracts and obligations of such public utility which
payments if made by such a public utility would be includible as
expenses of operation subsequent to the date of transfer to the
authority under the system of accounting prescribed by the Public
Utilities Commission or which payments are pursuant to contracts
for the delivery of assets by third persons or for the making or
completion of additions or improvements subsequent to said date of
transfer. In the event that the authority purchases such existing
system from such public utility pursuant to an election by the
latter under either clause (i) or (ii) above, the authority shall
indemnify and save and hold such public utility harmless from all
payments included in the preceding sentence and from any franchise
or contract liabilities to any public corporation which
mature or accrue after such purchase and which were incurred
in connection with such existing system so purchased and
the portions of the mass rapid transit service formerly served

with such existing system. The authority may at any time enter into an agreement with each such public utility as to the amount of such price.

Unless the authority and such public utility have agreed upon the amount of the price required to be paid hereunder, or unless they have agreed that the amount of such price shall be established by arbitration and upon the method of naming arbitrators and the method of conducting such arbitration, the amount of such price may be fixed and judgment entered thereon in a suit brought either by the public utility or by the authority in the Superior Court of the State of California in and for the county in which is located that portion of the existing system to be acquired by the authority from such public utility which is largest in value.

Any public utility whose patronage or revenues are diverted, lessened or competed for by any act of the authority which is in violation of this Section 4.20 shall be entitled to injunctive relief against the authority to stop such violation.

The maintenance and operation, but not the extension or rerouting, of any existing system acquired by the authority from a privately owned public utility shall not be deemed to be the establishment of a mass rapid transit service or system within the meaning of this section.

Section 851 of the Public Utilities Code shall not

apply to any contract for sale or sale of an existing system or portion thereof or other action taken pursuant to this Section 4.20, and the Public Utilities Commission of the State of California shall have no jurisdiction with respect thereto.

Sec. 26. Section 4.21 of said act is amended to read:

Sec. 4.21. ~~The authority shall pay to each public corporation in which property of the authority is situated an amount equal to the amount which would be paid in taxes and assessments on such property if it were privately owned. The amount of such payments shall be computed in the same manner as taxes or assessments on such property would be computed if it were privately owned, except that for this purpose the property of the authority shall be valued at appropriate times by the State Board of Equalization, and its determination thereof shall be final. This section shall not be applicable to bonds issued by the authority.~~ Whenever the authority acquires an existing privately owned system or portion thereof, the authority may pay to each public corporation to which property taxes or franchise payments have been paid by the public utility, the property of which is acquired, a payment in lieu of taxes or franchise payments in an amount not to exceed that theretofore paid by the public utility with respect to the property which has been acquired. The amount or amounts of such payments or method of computing such amount or amounts, the time or times

of payment, and the source or sources thereof may be fixed by agreement between the authority and any public corporation, but no such agreement shall be for a term of more than twenty-five (25) years.

Sec. 27. Section 4.22 is added to said act, to read:

Sec. 4.22. Whenever it is claimed that a person has been injured or any property damaged as a result of the negligence or carelessness of the authority or of any of its officers or employees or agents occurring during the course of their service or agency, a verified written claim by the claimant himself or by his agent or by his attorney for damages shall be filed with the secretary of the authority within six (6) months after the accident occurred. The claim shall specify the name and address of the claimant, the date and place of the accident and the extent of the injuries or damages received. No civil action shall be commenced against the authority or any officer or any employee or agent thereof, upon any claim for which a verified claim is required to be filed by this section, unless such verified claim has been filed in the manner and within the time provided in this section.

Sec. 28. Section 5.13 of said act is amended to read:

Sec. 5.13. An indenture may include a clause relating to the bonds issued thereunder which limits, restricts, or prohibits any right, power or privilege of the authority to mortgage or otherwise encumber, sell, lease or dispose of any part of the system acquired in whole or in part in exchange for the issuance of the bonds or constructed from the proceeds of the bonds, or to enter into any lease or agreement which impairs or impedes the operation of the system, or any part thereof, necessary to secure adequate revenues or which otherwise impairs or impedes the rights of the holders of the bonds with respect to such revenues.

Sec. 29. Section 5.14 of said act is amended to read:

Sec. 5.14. An indenture may include a clause relating to the bonds issued thereunder requiring the authority to fix, prescribe and collect rates, fares, tolls, rentals or other charges in connection with the services and facilities furnished from the system or any part thereof, acquired, constructed or purchased from part or all of the proceeds of the bonds, at least sufficient to pay the principal of and interest on the bonds as they become due and payable, together with all expenses of operation, maintenance and repair of the system, and with such additional sums as may be required for any sinking fund, reserve fund or other special fund provided for the further security of such bonds or as a depreciation charge or other charge in connection with such improvement.

Sec. 30. Section 5.32 of said act is amended to read:

Sec. 5.32. The authority may fix terms and conditions for the sale or other disposition of any authorized issue of bonds. The authority may sell bonds at less than their par or face value but no bond may be sold at a price below the par or face value thereof which would result in a sale price yielding to the purchaser an average of more than six (6) per cent per annum, payable semi-annually, according to standard tables of bond values. All bonds issued and sold pursuant to this act shall be sold on sealed proposals to the highest bidder after advertising for bids by publication of notice of sale once, not less than ten (10) days prior to the date of sale, in a newspaper of general circulation printed and published in the County of Los Angeles.

The authority may reject any and all bids submitted and may thereafter sell the bonds so advertised for sale at private sale under such terms and conditions as it deems most advantageous to its own interests, but the bonds shall not be sold at a price below that of the highest bid which was rejected. The authority may contract loans and borrow money through the sale of bonds to the United States of America or any of its departments, agencies, or instrumentalities, upon such terms and conditions as may be agreed to and such bonds shall be subject to all other provisions of this act, except the requirement that bonds be sold on sealed proposals to the highest bidder after advertising for bids. In the event the authority desires to issue its revenue bonds in exchange for an existing system or portion thereof it may exchange such bonds for the existing system or portion thereof or for the existing system or portion thereof plus an additional amount of cash without advertising such bonds for sale.

Sec. 31. Section 5.43 of said act is repealed.

Sec. 32. Section 6.5 of said act is amended to read:

Sec. 6.5. Title to all property acquired by the authority, and the revenues and income therefrom, is in the name of the authority. The title to any moneys, revenues, sinking funds, reserve funds and other funds of the authority and the income thereof pledged to the payment of the principal or any interest on any bonds issued hereunder is subject to the trusts hereby created in favor of the bondholders. The management, operation and control of the system and of every part thereof, acquired, constructed or completed by the authority shall be vested in the authority and the powers, rights, functions and duties of

~~the authority with respect thereto shall not be interfered with, except that the authority and the property thereof is subject to the Public Utilities Commission to the same extent as a private utility and its property is~~ ; provided, however, that any revenue bond indenture may require a contract with a Superintending Corporation and may provide for certain powers of superintendence and operation to be exercised by the Superintending Corporation, and may require that action on certain matters by the authority be by a two-thirds vote of the full number of the members thereof.

Sec. 33. Section 6.10 is added to said act, to read:

Sec. 6.10. The authority may enter into a contract with the owner of an existing system for the purchase by the authority of such existing system or any portion thereof and may purchase such system or portion thereof substantially in accordance with the terms of such contract. The authority may enter into such contract and may make such purchase without such report as is hereinbefore in this chapter required and may exchange its revenue bonds for such existing system (meaning, wherever used in this Section 6.10, either an existing system, or any portion thereof, as the case may be) or for such existing system plus additional cash. In consideration, in whole or part, for such existing system, or for such existing system plus additional cash, the authority may issue its revenue bonds and it may undertake such obligations as are provided by the indenture in respect thereof, and it may assume any or all contracts, obligations, indebtedness and liabilities of such existing system or the owner thereof. In connection with the purchase of an existing system or portion thereof from a privately operated public utility, the authority may indemnify and save and hold harmless the seller

and its predecessors in interest and the officers, directors, stockholders, employees and agents of any of them, past, present and future, and each of them, from and against any obligation, liability, loss, cost, damage, forfeiture and expense which may be incurred or suffered by or asserted against, or the performance or payment of which becomes due from, the seller or any of such other persons under or in connection with any franchise which is owned, enjoyed or held by the seller at the time of the transfer of the existing system or portion of system to the authority and was employed by the seller in furnishing transit service with the system or portion of the system so transferred provided such obligation, liability, loss, cost, damage, forfeiture or expense is incurred or suffered or asserted, or the performance or payment thereof becomes due, either by reason of or in connection with the transfer of the system or portion of the system to the authority or by reason of or in connection with any matter, time, action, omission, violation, election, demand, transaction or event subsequent to such transfer. Section 851 of the Public Utilities Code shall not apply to such contract, or to any sale of assets or other action taken pursuant to such contract, and the Public Utilities Commission of the State of California shall have no jurisdiction with respect thereto.

Sec. 34. Section 7.1 of said act is amended to read:

Sec. 7.1. ~~Pursuant to Sections 4.9 and 4.10, the~~ The authority shall fix the rates, fares, tolls and other charges for all transportation facilities comprising the system or any part thereof acquired, constructed or completed under the terms of this act, for the use thereof by any persons utilizing such facilities. Subject to such contractual obligations as may be entered into by the authority and the holders of the revenue bonds issued under this act, the authority is authorized to change such rates, fares, tolls and charges

from time to time as conditions warrant. All rates, fares, tolls and charges shall be at all times fixed to yield annual revenue at least equal to annual operating and maintenance expenses, including insurance costs and all redemption payments and interest charges on the revenue bonds at any time issued and outstanding hereunder, as the same become due, all sums required for sinking funds, reserve funds or other trust funds, or otherwise required to comply with the provisions of any covenant in the revenue bond indenture or indentures pursuant to which such revenue bonds have been issued. The bond redemption and interest payments shall constitute a first, direct and exclusive charge and lien on all such rates, fares, tolls and charges and other revenues and interest thereon, and sinking funds created therefrom, received from the use and operation of the system; and all such rates, fares, tolls, charges and other revenues, together with interest thereon, shall constitute a trust fund for the security and payment of such bonds and, except as and to the extent provided in any indenture with respect to the payment therefrom of expenses for other purposes including administration, operation, maintenance, improvements or extensions of the system, shall not be used or pledged for any other purpose so long as such bonds, or any of them, are outstanding and unpaid. The authority may provide that the rates, fares, tolls and charges established are minimum rates, fares, tolls and charges and subject to increase or decrease in accordance only with the terms of the indenture under which the revenue bonds are issued.

Sec. 35. Section 11.1 of said act is amended to read:

Sec. 11.1. The proceeds from the sale of all bonds authorized under the provisions of this act may be paid upon the direction of the authority either to the treasurer of the authority as custodian of the special trust fund, which fund is created by Section 11.2 hereof, to be held for the account of the authority, or may be paid direct to any bank or trust company designated as the fiscal agent and depository of the authority, as in this act provided. In the event a part of the cash proceeds of the sale or exchange of bonds is to be used for operating funds of the authority, such proceeds or part thereof may be placed in any fund designated in the indenture pursuant to which the bonds are issued.

Sec. 36. Section 11.11 is added to said act, to read:

Sec. 11.11. Notwithstanding any of the foregoing provisions of this chapter, the revenue bond indenture may specify the fund or funds into which any part of the proceeds from the sale or exchange of the bonds shall be paid and the uses of such fund or funds. The revenues likewise may be payable into such fund or funds as may be provided in said indenture and shall be used only as authorized in said indenture.

Sec. 37. Section 12.1 of said act is amended to read:

Sec. 12.1. The authority, and its officers and agents may perform such acts and enter into such agreements ~~with the authority~~, not inconsistent with law, as may be necessary or desirable in connection

with the duties and powers conferred upon the authority by this act, in the matter of acquiring, constructing, completing, maintaining, operating, repairing or insuring or replacing the system or any part thereof acquired, constructed or completed under this act, for the safeguarding of funds and revenues required for the purposes of this act, and for the payment of the revenue bonds issued pursuant to this act.

Sec. 38. Section 13.4 of said act is repealed.

Table I

Los Angeles Transit LinesCONDENSED SUMMARY OF VALUATIONAs of September 30, 1954

<u>Item No.</u>		<u>Original Cost (1)</u>	<u>Reproduction Cost (2)</u>
A - With Rail and Bus Operations as on 9/30/54			
1	Valuation as of 9/30/54	\$50,432,985	\$ 87,766,992
2	Deduct Non Operative Property	2,260,742	4,213,732
3	Deduct Omissions and Contingencies	309,895	539,217
4	Valuation Adjusted	<u>\$47,862,348</u>	<u>\$ 83,014,043</u>
5	Non Depreciable Property	5,157,992	5,157,992
6	Depreciable Property	42,704,356	77,856,051
7	Accrued Depreciation	<u>28,976,614</u>	<u>52,828,445</u>
8	Valuation Less Accrued Depreciation	18,885,734	30,185,598
9	Materials and Supplies	924,732	924,732
10	Net Valuation as of 9/30/54	<u>\$ 19,810,466</u>	<u>\$31,110,330</u>
B- <u>With First Stage of Bus Substitution for Rail Service</u>			
11	Net Valuation as of 9/30/54 (Item 10)	\$19,810,466	\$31,110,330
12	Net Conversion Retirements	3,308,579	4,369,399
13	Cost of Bus Substitution	2,544,483	2,544,483
14	Net Retirement	<u>764,096</u>	<u>1,824,916</u>
15	Net Valuation with Bus Conversion	<u>\$19,046,370</u>	<u>\$29,285,414</u>

EXHIBIT "B"

ARTHUR C. JENKINS, CONSULTING ENGINEER, SAN FRANCISCO

EXHIBIT C

Certain Contracts of your Company, Los Angeles Transit Lines

I. Relating to employees:

- A. Los Angeles Transit Lines Retirement Income Plan promulgated as of August 17, 1948, as amended June 1, 1952, and related Agreement of Trust of even date with Plan with Bank of America National Trust and Savings Association, as Trustee.
- B. Special Roll - An unfunded pension plan for employees of Los Angeles Transit Lines not included within Los Angeles Transit Lines Retirement Income Plan, which entitles those retired and the others upon retirement to monthly payments for life at the rate of 1% per month of the highest monthly salary multiplied by the number of years of service.
- C. Group Insurance Plan with Aetna Life Insurance Company providing life insurance for both retired and active employees.
- D. Obligations to three employees for life for monthly payments on account of injuries received during employment prior to the acquisition of Workmen's Compensation insurance.
- E. Los Angeles Transit Lines Medical Plan.
- F. Contract dated August 22, 1955 with Transportation Union, Div. 1277, covering operating conditions, rates of pay, etc. for two year period ending May 31, 1957 as the same may be extended or replaced for a subsequent period.

II. Leases:

A. Company as lessee -

- 1. Two leases from Pacific Electric Land Company of property used as Division No. 6 which lies between Pico Boulevard and Venice Boulevard, commonly known as 4810 West Pico Boulevard, Los Angeles, one of which leases is dated July 5, 1940 and is supplemented by agreement dated October 10, 1951; and the other, which is called "Lease and Agreement," is dated February 21, 1949; in which Pacific Electric Railway Company is also a lessor.

2. Leases of various properties for terminal purposes.
3. Leases of properties for installation and maintenance of toilet facilities.
4. Agreement dated July 20, 1953 with AT&SF requiring payment of one-half estimated cost of flashing lights at crossing in Pacific Boulevard near Santa Fe Avenue and at Avalon Boulevard and Slauson Avenue, and miscellaneous agreements with railroads relating to maintenance of track and crossings and, in some cases, flagmen.
5. Leases for use of poles in whole or in part.

B. Company as lessor -

1. Leases for use of poles in whole or in part.
2. Leases to various tenants of office and other space in Los Angeles Transit Building at 1060 South Broadway, Los Angeles.
3. Advertising Space Lease dated April 30, 1947 to California Transit Advertising, Inc. as supplemented covering carcard space in street cars and buses, which expires December 31, 1958.
4. Leases to concessionnaires at various locations on rights of way and other properties of the Company.
5. License agreements and permits:
 - (a) Relating to installation, maintenance and operation by your Company of energy transmission lines and other facilities, and telephone or radio communication system.
 - (b) Joint Pole Committee Agreement with public utilities and public bodies, dated October 10, 1906, for ownership, maintenance and use jointly of poles, attachments and kindred facilities, which has been supplemented several times including January 1, 1955 supplement providing for pension plan of employees of Joint Pole Committee.
 - (c) Permits for attachment by your Company to properties of trolley wire supports by eye-bolts or otherwise, or for anchors.

- (d) To the City of Los Angeles, to County of Los Angeles and to other public bodies for installation and maintenance of traffic signals, and for other purposes.
- (e) To others, which in some cases are easements, for installation, maintenance and operation by them of various conduits, water mains, gas lines, communication facilities, flood control facilities, signs and similar structures.
- (f) From Transit Research Corporation for use of patents in PCC cars owned and operated by your Company, which require royalties.

III. Supply and service contracts by your Company with:

- A. Standard Oil Company of California covering all petroleum requirements for calendar year 1956.
- B. Firestone Tire & Rubber Company for lease of tires and tubes used by your Company, which expires July 31, 1958.
- C. Southern California Edison Company dated September 13, 1954 for supply of electric energy, which expires September 12, 1956.
- D. With various persons, firms, and corporations relating to furnishing of materials and supplies or services.

IV. Insurance:

- A. Policies with Transit Casualty Company, St. Louis, Missouri, for Comprehensive General Liability Policy providing bodily injury liability and property damage liability coverage, and for Standard Workmen's Compensation and Employer's Liability coverage, and Agreement, as amended and supplemented, of your Company with Transit Casualty Company, providing for such coverages for the ten year period begun January 1, 1955; except that in respect of premiums computed on gross passenger revenue received by your Company prior to Closing Date, your Company shall be responsible for payment of such premiums, including any additional premium, and be entitled to refund of unabsorbed portions, if any, of the foregoing premiums paid by your Company, whether determined before or after the Closing Date.
- B. Fire and miscellaneous policies of insurance with various companies.

V. Miscellaneous contracts.

- A. As member of California Transit Association to provide pension for W. V. Hill, Manager.
- B. With certain United States Post Offices covering transportation of mail carriers.
- C. Membership in American Transit Association, California Transit Association, Chambers of Commerce, Los Angeles Chapter of National Safety Council, and like organizations.
- D. With Occidental Life Insurance Company under which annual premiums on policies held by the Trustee under the Retirement Income Plan may be advanced as a loan to the insurance company.
- E. With holders of outstanding fare tokens, and tickets.
- F. With Pacific Electric Railway Company relating to settlement of claims arising out of collisions between its vehicles and those of your Company.
- G. To extend public school student rates of fare to students of certain private schools.
- H. For payment of accrued vacation compensation.
- I. With City of Huntington Park relating to use of R/W in Pacific Boulevard for street purposes.
- J. Reservations in dedication of rights of way to City of Los Angeles for street purposes and obligations thereunder.
- K. With railroads relating to use or joint use of certain of their rail lines and other facilities, and for purchase of electric energy.
- L. With Pacific Electric Railway Company for purchase of electric energy in case of certain emergencies and for use of feeder lines.
- M. With schools and public agencies for furnishing bus service for hire.
- N. With various persons, firms and corporations relating to token refund plans and to advertising by others on transfers or in publications of your Company or by your Company.

- O. With persons devoting full time to your Company as employees of Railway Equipment & Realty Company, Ltd. under contract dated May 31, 1951, as amended, who may be re-employed prior to the Closing Date by your Company, for the restoration of their Special Roll rights as though their employment had been continuous since they were originally employed by your Company.
- P. With public school districts relating to purchase of student's fare books.
- Q. With State Division of Highways relating to construction of bridges.
- R. With International Business Machine Company and others for use of equipment and services for terms not exceeding one year.

EXHIBIT D

Part One

PARCEL 1: Lots 7, 8 and 9 in Block E of Palra Heights, in the County of Los Angeles, State of California, as per map recorded in Book 10 Page 126 of Maps in the office of the County Recorder of said County.

Subject only to:

- (1) Easements for pipe lines reserved by Janss Company in the following deeds: Of Lot 7, recorded in Book 4273 Page 74 of Deeds; of Lot 8, recorded in Book 4121 Page 52 of Deeds; and of Lot 9, recorded in Book 3613 Page 159 of Deeds.
- (2) Covenants, conditions, and restrictions imposed by deeds above mentioned.

PARCEL 2: Lots 1, 2 and 4 of Power Plant Tract No. 1, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 9 Page 75 of Maps in the office of the County Recorder of said County.

EXCEPTING from said Lots 1 and 2 that portion thereof included within the land described in deed from Los Angeles Railway Company to Southern Pacific Railroad Company, recorded in Book 2204 Page 222 of Deeds.

ALSO a rectangular parcel of land, being a portion of Lot 3 of the Power Plant Tract No. 1, as shown on map recorded in Book 9, Page 75 of Maps, in the office of the County Recorder of said County; the boundary lines of said parcel being described as follows:

Beginning at that certain corner in the Northeasterly boundary line of said Lot 3, distant South $49^{\circ} 51' 30''$ East 175.06 feet thereon from the most Northerly corner of said lot; thence North $40^{\circ} 08' 30''$ East 37.33 feet along the Northwesterly boundary of said lot; thence South $49^{\circ} 51' 30''$ East 172.51 feet along the Northeasterly line of said lot; thence South $39^{\circ} 40'$ West 37.35 feet along the Southeasterly boundary of Lot 3; thence Northwesterly in a direct line to the point of beginning.

Subject only to (1) A highway easement to City of Los Angeles of irregular strip adjoining and now used as part of Central Avenue, Los Angeles.

(2) An agreement between Los Angeles Transit Lines and the City of Los Angeles in re oversize building on Lot 2, recorded November 7, 1946 in Book 23917 Page 93 of Official Records.

PARCEL 3: Lot 1 of Tract No. 8784, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 116 Page 84 of Maps in the office of the County Recorder of said County.

Subject only to:

A reservation, affecting that portion of Tract No. 8784 included within the lines of Lots 3 to 22 inclusive, 24, 29, and 30 in Block "F" of Park Place, as per map recorded in Book 5 Page 51 of Maps, and the alley adjoining said Lots on the South, as shown on said map, of all water developed or that may be developed on or derived from said premises that shall not be necessary for all uses thereon and also the right to remove from said land and use all such surplus water, as contained in various deeds of record from Huntington Land and Improvement Company, and affecting the West 10 feet of Lot 15 in Block "F" of said Tract, in a deed from D. G. McClay to Jacob Ross, recorded in Book 2050 Page 64 of Deeds.

PARCEL 4: Those portions of Lots 24 and 25 of Hunter Highland View Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 4 Page 570 of Miscellaneous Records in the office of the County Recorder of said County, bounded on the East by the Los Angeles Railway right of way and bounded on the West by Avenue 27 as said Avenue is shown on the map of Rio Vista Tract recorded in Book 11 Page 177 of Maps in the office of the County Recorder of said County.

Subject only to:

(1) Right to convey water along the lines of Lot 24 for irrigation of other lands in same tract, as reserved By G. W. Morgan and A. H. Judson in deed to L. F. Gay, recorded in Book 98 Page 66 of Deeds.

(2) An easement for street purposes over the Southwesterly 65 feet of said portion of Lot 25 now within the lines of Avenue 26, as set forth in deeds from Freeman Gay et al, to the City of Los Angeles, recorded in Book 1105 Page 228 and in Book 2389 Page 142 of Deeds.

PARCEL 5: (a) Lots 45, 46, 47, 48, 49, 50, 51, 52, the North-easterly 125 feet of Lot 53, Lots 54, 55, 56, 57, 58, and the

Northerly 50 feet of Lots 62, 63, and 64 of Forman's Subdivision of the West 20 acres of Lot 8 in Block 36 of Hancock's Survey, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 21 Page 20 of Miscellaneous Records in the office of the County Recorder of said County;

(b) All that parcel of land situated in the said City and County of Los Angeles, State of California, to wit:

Beginning at a point on the Southerly line of Twelfth Place, formerly Girard Street, said point being the most Easterly corner of Lot 55 of Forman's Subdivision, as per map recorded in Book 21 Page 20 of Miscellaneous Records in the office of the County Recorder of said County; thence South 27° 50' West 200 feet; thence South 61° 38' East 350 feet along a line parallel with the said Southerly line of Twelfth Place; thence North 27° 50' East 200 feet to the said Southerly line of Twelfth Place; thence North 61° 38' West 350 feet along the said Southerly line of Twelfth Place to the point of beginning.

Subject only to the right to construct, maintain and operate a line of poles and wires and other necessary fixtures for the transmission of electric energy over and across a portion of Lots 58 and 64, as granted to City of Los Angeles, by deed recorded in Book 2910 Page 346, Official Records.

PARCEL 6: Lot 33 of Tract No. 1093, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 17 Page 80 of Maps in the office of the County Recorder of said County; except that portion lying South of the Westerly prolongation of the Northerly line of 57th Street as shown on map of Chesterfield Square recorded in Book 21, Pages 90 and 91 of Maps in the office of said County Recorder.

Subject only to:

(1) An easement for the construction, operation and maintenance of an outfall sewer, in and along the East 30 feet of Parcel 6 and other land, together with the right to enter upon, to pass and repass over and along said strip whenever and wherever necessary, as granted to City of Los Angeles by deed recorded in Book 2069 Page 18 of Deeds.

(2) Unrecorded easement for Department of Water & Power, City of Los Angeles, for installation and maintenance of electric transmission line.

PARCEL 7: (a) Lots 96 to 139, both inclusive, of the May Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 14 Page 62 of Miscellaneous Records in the office of the County Recorder of said County.

(b) Lots 1 to 26, both inclusive, and Lots 47 and 48 of Goldsworthy

and Chronis' Subdivision of the Clement Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 24 Page 47 of Miscellaneous Records in the office of the County Recorder of said County.

(c) The West 45 feet of Lots 6 and 7 in Block "0" of the Walnut Grove Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 22 Pages 9 and 10 of Miscellaneous Records in the office of the County Recorder of said County.

EXCEPT about 6-1/2 feet off the North side of said Lot 6 conveyed to the City of Los Angeles for opening Fifteenth Street by deed recorded in Book 1070 Page 145 of Deeds.

PARCEL 8: Lot 8 of Tract No. 14256, in the city of Vernon, as per map recorded in Book 337 pages 25 to 28 inclusive of Maps, in the office of the county recorder of said county.

EXCEPT that portion of said lot lying southeasterly of a straight line extending from a point in the easterly line of said lot bearing South 1° 32' 35" East, 188.11 feet from the northeast corner of said lot 8, to the most southerly corner of said lot 8.

ALSO those portions of lots 22, 23, 24 and 25 of Block 50 of Huntington Park Extension No. 2, in the city of Vernon, as per map recorded in book 11 page 6 of Maps, in the office of the county recorder of said county, described as follows:

Beginning at the southwesterly corner of said lot 24; thence along the westerly line of said lots 24 and 25, North 0° 17' 00" East 141.85 feet; thence South 89° 43' 00" East 127.60 feet; thence parallel with said westerly line, South 0° 17' 00" West 170.85 feet to a point in the northeasterly curved line of Pacific Boulevard, as shown on said map of Huntington Park Extension No. 2, said curved line being concave to the southwest and having a radius of 1015.37 feet, a radial line from said point bearing South 16° 47' 00" West; thence westerly along said curve line, 130.94 feet to the point of beginning, a radial line from said point of beginning bearing South 9° 23' 40" West.

Subject only to:

(1) An easement over said land for pole lines and appurtenances, all poles to be erected and maintained within 1 foot of the following described lines:

Beginning at an existing pole numbered 14823E located in the southerly side of Vernon Avenue, as now established along the north line of said lot 25 approximately 60 feet east of the northerly prolongation of the west line of said lot 25; thence southwesterly, approximately 75 feet to Pole No. 340962E, located 8 feet easterly, measured at right angles from the west line of said lot 25; thence southerly, parallel with the west lines of said lots 25 and 24, a distance of approximately 240 feet to Pole No. 340964E, thence easterly, a distance of 100 feet, more or less, to Pole No. 340965E; thence southerly approximately parallel with the southerly prolongation of the west line of said lot 25, a distance of 153 feet to Pole No. 340966E, located in the northerly side of Pacific Boulevard, 112 feet, more or less, southeasterly from the southerly prolongation of said west line of lot 24;

Also beginning at said Pole No. 340965E; thence easterly, a distance of 110 feet to Pole No. 14062C;

Also beginning at Pole No. 340965E; thence northerly a distance of 90 feet to Pole No. 25456C; with right of access; also the right to trim or top such trees as may endanger or interfere with said lines, as granted to Southern California Edison Company, Ltd., by an instrument recorded February 23, 1946 in book 22816 page 284, Official Records and re-recorded in book 22856 page 391, Official Records.

(2) An easement for a pole line and appurtenances over a strip of land 14 feet wide described as:

Beginning at a point in the west line of said block 50, distant North $0^{\circ} 17'$ East 141.85 feet from the southwest corner of said block; thence North $0^{\circ} 17'$ East 280.95 feet to the northwest corner of said block; thence North $88^{\circ} 15'$ East 14.01 feet; thence South $0^{\circ} 17'$ West 281.45 feet; thence North $89^{\circ} 43'$ West 14 feet to the point of beginning;

With free access thereto and the right to trim or top such trees as may interfere with said line, as reserved by Los Angeles Transit Lines in deed recorded February 23, 1946 in book 22789 page 366, Official Records.

PARCEL 9: Lots 1 and 2 in Block 11 of Electric Railway Homestead Association, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 14 Pages 27 and 28 of Miscellaneous records in the office of the County Recorder of said County.

Subject to:

(1) Unrecorded easement to Department of Water & Power, City of Los Angeles, for installation and maintenance of electric transmission line.

(2) Unrecorded easement to Pacific Telephone & Telegraph Company for installation and maintenance of service lines.

PARCEL 10: Lots 9 and 10 in Block 18 of Grider and Hamilton's Highland Park, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 8 Page 106 & 107 of Maps in the office of the County Recorder of said County.

Subject only to covenants, conditions, and restrictions imposed by deeds of Lot 9 from L. M. Grider et al, recorded in Book 3340 Page 112 of Deeds; from Charles De Munbrun, recorded in Book 3326 Page 255 of Deeds, from Jacob Anerson, recorded in Book 3601 Page 317 of Deeds, and re-recorded in Book 4604 Page 133 of Deeds; from Albert Keefover and wife, recorded in Book 4611 Page 89 of Deeds; from William F. Phelps et al, recorded in Book 4738 Page 109 of Deeds; and from Ansell E. Phelps, recorded in Book 5634 Page 99 of Deeds, and affecting Lot 10 in deed from L. M. Grider et al, recorded in Book 2771 Page 203 of Deeds.

PARCEL 11: Lot 9 in Block 1 of the Subdivision of the East portion of the Jeffries Tract, East Los Angeles, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 21 Page 10 of Miscellaneous Records and in Book 29 Page 44 of Miscellaneous Records in the office of the County Recorder of said County.

PARCEL 12: That portion of Lot 7 of Tract No. 7795, in the City of Inglewood, County of Los Angeles, State of California, as per map recorded in Book 88 Page 51 of Maps in the office of the County Recorder of said County, described as follows:

Beginning at a point in the West line of said Lot 7, distant South thereon 223.40 feet from the Northwesterly corner thereof; thence East at right angles 95 feet; thence South at a right angle and parallel with the West line of said Lot 7, 57 feet; thence South $80^{\circ} 43' 15''$ West 96.26 feet, more or less, to a point in the West line of said Lot distant 72.52 feet South from the point of beginning; thence North along said West line 72.52 feet to the point of beginning.

Subject only to:

(1) An easement for an outfall sewer with laterals leading therefrom, as granted to City of Los Angeles by deeds duly appearing of record.

(2) Agreement of Sale to Inglewood Park Cemetery Association, to sell after abandonment of land for substation purposes.

PARCEL 13: Lots 4, 7, 8, 9, 10, and 12 of the Arthur L. Hodges Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in Book 7 Page 118 of Maps in the office of the County Recorder of said County.

Subject to:

(1) Unrecorded easement to Department of Water & Power, City of Los Angeles, for installation and maintenance of electric transmission line.

(2) Unrecorded easement to Pacific Telephone & Telegraph Company for installation and maintenance of service lines.

PARCEL 14: A parcel of land in the City of Los Angeles, County of Los Angeles, State of California, including a portion of Lot 2 of the Los Angeles Land Company's Tract No. 1, as recorded in Book 4 Page 88 of Maps in the office of the County Recorder of said County, described as a whole as follows:

Beginning at the Southeast corner of Lot "A" of Tract No. 2173, as per map recorded in Book 23 Page 49 of said Map Records, in the Westerly line of Los Angeles Streets; thence along the Westerly line of said Street, South $44^{\circ} 25' 45''$ West 74.86 feet to a point distant Northerly 81.75 feet from the intersection of said Westerly line of Los Angeles Street with the Northerly line of Marchessault Street as said Northerly line is defined by the City Engineer of said City; thence North $48^{\circ} 09' 20''$ West 107.15 feet, more or less, to a point in the Easterly line of Olvera Street, said Easterly line being distant Easterly 20 feet, measured at right angles, from said City Engineer's Traverse line in the approximate center of said Olvera Street, said point being distant Northerly 84.70 feet from the intersection of said Easterly line of Olvera Street with said Northerly line of Marchessault Street; thence along said Easterly line of Olvera Street, North $36^{\circ} 58' 20''$ East 74.65 feet to the Southwest corner of said Lot "A", of Tract No. 2173; thence along the Southerly line of said Lot "A", South $48^{\circ} 21' 05''$ East 116.85 feet, more or less, to the point of beginning.

Subject only to:

(1) The interest, if any, acquired by William Ferguson under tax deed from the State of California, recorded in Book 53 Page 34 of Deeds in and to that portion of Parcel 14 included in Lot 1 of Tract No. 1, recorded in Book 9 Page 98 of Miscellaneous Records, which interest was subsequently conveyed by said William Ferguson to Refugio O. de Olvera by deed recorded in Book 54 Page 494 of Deeds.

(2) The effect of an order issued on December 13, 1901 out of the Superior Court in and for San Diego County, in the matter of the Estate of one Refugia O. de Olvera, deceased (Case No. 1575 of said Court), confirming the sale of certain property situated in Los Angeles County, recorded in Book 1518 Page 209 of Deeds.

(3) The effect of a notice of action and action for condemnation brought by the State of California against Carl Patrick Gibbs, Los Angeles Transit Lines, et al. Notice recorded April 22, 1955 in Book 47515 Page 270 Official Records. Action bears Superior Court Los Angeles County No. 643190.

PARCEL 15: Lots 4 and 5 of W. F. Thorne's Resubdivision of Lots 1 to 125 inclusive of the Hawthorne Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 6 Page 108 of Maps in the office of the County Recorder of said County.

Subject only to covenants, conditions, and restrictions imposed by deed from Title Guarantee and Trust Company, recorded in Book 2424, Page 88 of Deeds, affecting Lot 4, and by deed from William F. Thorne, recorded in Book 2856 Page 218 of Deeds, affecting Lot 5 and by Declaration of Establishment of conditions and restrictions recorded in Book 7569 Page 217, Official Records, affecting both lots.

PARCEL 16: The real property situated in the City of Los Angeles, County of Los Angeles, State of California, bounded and described as follows:

Beginning at the Southwest corner of Lot 12 of W. B. Thompson's Tract, as per map recorded in Book 3 Page 42 of Maps; thence Easterly along the Southerly line of said Lot, 140 feet to the Westerly line of an alley shown on map of W. B. Thompson's Tract, as per map recorded in Book 6 Page 19 of said Map Records; thence Southerly along the Westerly line of said alley, 55.51 feet, more or less, to the Northerly line of Sixth Street, as shown on map first above referred to; thence Westerly along said Northerly line of Sixth Street, 140 feet to the Easterly line of Soto Street, as shown on last mentioned map; thence Northerly along said Easterly line of Soto Street, 55.51 feet, more or less, to the place of beginning.

Subject only to:

(1) An easement for water ditch and pipe line for conveying water for irrigation through said land, as reserved in deed from Wm. H. Workman and Maria E. Workman, recorded in Book 78 Page 613 of Deeds.

(2) An easement for street purposes over that portion of Parcel 16, described as Parcel 50,

as condemned for the widening of Soto Street by final decree of condemnation entered in Case No. 268770, Superior Court, a certified copy thereof being recorded in Book 15132 Page 254, Official Records.

PARCEL 17: That portion of Lot 4 of Tract No. 2411, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 26 Pages 77 to 79 inclusive of Maps in the office of the County Recorder of said County, described as follows:

Beginning at the most Easterly corner of said Lot 4; thence South $89^{\circ} 31' 15''$ West along the Northerly line of said Lot 357.57 feet to an angle point thereon; thence continuing along said Northerly line South $86^{\circ} 34' 30''$ West 94.01 feet to the true point of beginning of this description; thence from said true point of beginning South $0^{\circ} 07' 00''$ East 130.5 feet, more or less, to the Northerly line of Fortieth Place, prolonged Westerly as said Fortieth Place is shown on map of Figueroa Square recorded in Book 6 Page 154 of Maps; thence Westerly along said prolongation of the Northerly line of Fortieth Place to the Easterly line of Hoover Street; thence Northerly on said Easterly line of Hoover and Easterly on the Southerly line of Santa Barbara Avenue to the true point of beginning.

PARCEL 18: Lots 8 and 9 in Block 2 of Charles Victor Hall Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 26 Page 65 of Miscellaneous Records in the office of the County Recorder of said County.

PARCEL 19: Lots 8 and 18, except the Northerly 134 feet of Lot 18, in Block E of the Knob Hill Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 10 Page 97 of Miscellaneous Records in the office of the County Recorder of said County.

PARCEL 20: Lot 24 of the Addition to E. H. Workman Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 7 Page 2 of Miscellaneous Records in the office of the County Recorder of said County.

ALSO that portion of the strip of land 12 feet wide marked "private" on said map which lies North of and adjoining said Lot 24 and between the prolonged Southeasterly and Northwesterly lines of said Lot.

Subject only to an easement over that portion of Parcel 20 condemned for opening and widening.

Broadway, in Case No. B-5973 Superior Court. A certified copy of said decree of condemnation was recorded May 22, 1919, in Book 6860 Page 107 of Deeds. The portions of said property taken for opening said street are described as follows:

Commencing at a point in the Southwesterly corner of Lot 24 of Addition to E. H. Workman Tract, as per map recorded in Book 7 Page 2 of Miscellaneous Records of said County, running thence Northerly and along the Westerly line of said Lot 24, a distance of 175 feet to the Northwesterly corner of said Lot 24; thence Easterly and along the Northerly line of said Lot 24, a distance of 37.78 feet to a point; running thence Southerly in a direct line 176.48 feet to a point in the Southerly line of said Lot 24, which point is distant 15.72 feet Easterly from the Southwesterly corner of said Lot 24, running thence Westerly along the Southerly line of Lot 24, a distance of 15.72 feet to the point of beginning.

ALSO commencing at a point in the Northwesterly corner of Lot 24 of Addition to E. H. Workman Tract, as per map recorded in Book 7 Page 2 of Miscellaneous Records of said County, running thence Northerly and along the Northerly prolongation of the Westerly line of said Lot 24, a distance of 12 feet to a point in the Southerly line of an alley, the same being the first alley lying Northerly of 11th Street; running thence Easterly and along the Southerly line of said alley a distance of 39.29 feet to a point; running thence Southerly a distance of 12.10 feet to a point in the Northerly line of Lot 24, which said point is distant 37.78 feet Easterly from the Northwesterly corner of said Lot 24; thence running Westerly and along the Northerly line of said Lot 24 a distance of 37.78 feet to the point of beginning.

PARCEL 21: Lots 2, 3 and 4 in Block "V" of Tract No. 5580, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 62 Pages 24 and 25 of Maps in the office of the County Recorder of said County.

Subject only to:

(1) Easements for pole lines, conduits, and incidental purposes over a strip of land 3 feet in width along the entire rear of said lots, as reserved in deeds from Title Guarantee and Trust Company, recorded in Book 5103 Page 313, Official Records, as to Lot 4, and recorded in Book 15967 Page 212, Official Records, as to Lots 2 and 3.

(2) The right to any deposits of oil, gas or other hydro-carbon substances and water, but without right of entry, as reserved in last above mentioned deeds.

(3) Covenants, conditions, and restrictions imposed by deeds last above mentioned.

(4) Such rights or easements as the City of Los Angeles (as successor to Los Angeles Gas & Electric Corporation) may have in or over the rear 3 feet of said land, for pole lines, conduits and incidental purposes, as disclosed by a declaration by the Department of Water & Power of said City of Los Angeles, recorded in Book 15597 Page 41, Official Records.

PARCEL 22: Lot 198 of Tract No. 2917, in the City of South Gate, county of Los Angeles, State of California, as per map recorded in Book 35 Pages 24 and 25 of Maps in the office of the County Recorder of said County EXCEPT that portion thereof described as follows:

Commencing at the southwest corner of said Lot 198; thence south $82^{\circ} 55' 45''$ east fifty-two and no one-hundredths (52.00) feet to a point, which is the point of beginning of this description; thence north $07^{\circ} 04' 15''$ east seventy-seven and no one-hundredths (77.00) feet to a point; thence north $52^{\circ} 04' 15''$ east eleven and thirty-one one-hundredths (11.31) feet to a point; thence south $82^{\circ} 55' 45''$ east fifty and no one-hundredths (50.00) feet to a point; thence south $07^{\circ} 04' 15''$ west seventy-seven and no one-hundredths (77.00) feet to a point; thence south $52^{\circ} 04' 15''$ west eleven and thirty-one one-hundredths (11.31) feet to a point; thence north $82^{\circ} 55' 45''$ west fifty and no one-hundredths (50.00) feet to the point of beginning of this description.

Subject only to:

(1) A right of way for pipe lines, pole lines and incidental purposes, as reserved by Security Trust & Savings Bank in deed recorded in Book 6561 Page 97 of Deeds.

(2) Covenants, conditions, and restrictions contained in the last above mentioned deed and as contained in a purported modification thereof recorded in Book 14662 Page 74, Official Records.

(3) An easement for public street purposes over the Easterly 10 feet, as granted to the City of South Gate by deed recorded in Book 16207 Page 210, Official Records.

(4) An easement for a pole line over the Northerly one foot of this Parcel, created by Deed recorded May 20, 1943 in Book 19980 Page 348 of Official Records.

PARCEL 23: Lot 41 of Tract No. 2289, in the City of Los Angeles, as per map recorded in Book 22 Page 60 of Maps, in the office of the County Recorder of said County.

Subject only to the right to use and maintain that part of the existing building and party wall which encroaches upon Lot 40 of said Tract 2289, which right shall be effective only so long as the building is maintained on the land hereby conveyed, and shall cease and determine upon the removal of said building;

The right to use and maintain as a party wall the wall now existing partly on Lot 40 and partly on Lot 41 of said Tract 2289, for the maintenance and support of the building now existing on said Lot 40 of Tract 2289, which right of way shall be effective only so long as said building is maintained on said Lot 40, and shall cease and determine upon the removal of said building, as reserved by Huntington Land and Improvement Company, a corporation, in deed recorded May 27, 1949 as Instrument No. 2047.

SUBJECT as to all of the above Parcels to taxes and assessments not delinquent, other than assessments assessed against local benefits of a kind tending to increase the value of the property assessed.

SUBJECT also as to Parcels 1, 4, 22 and 23 to License Agreements for concession stands.

SUBJECT also as to Parcel 20 to leases made in the ordinary course of business.

SUBJECT also to easements as to all the above parcels granted to existing public utilities.

SUBJECT also to the effect of Los Angeles City Franchise Ordinances.

Part Two

All physical assets constituting personal property of any or all of the following categories:

Street cars, both passenger and service (including electrical and other equipment relating thereto)

Buses and coaches (including trolley coaches), but excluding leased tires.

Automobiles, trucks and automotive equipment (including trailers)

Substation equipment.

Furniture and equipment

Shop and garage machinery and equipment

Materials and supplies

Subject to taxes not delinquent.

Subject also to the effect of Los Angeles City Franchise Ordinances.

Part Three

All physical assets, whether real or personal, not included in Part One or Part Two above, which are to be sold pursuant to the attached letter agreement,

Subject to

(1) Taxes and assessments not delinquent, other than taxes assessed against local benefits of a kind tending to increase the value of the property assessed; and

(2) Easements, rights of way, reservations, restrictions, covenants and conditions which do not substantially interfere with the use of the respective assets referred to in this Part Three for the purposes for which they were acquired or for the purposes for which they are presently used by Los Angeles Transit Lines.

Subject also to the effect of Los Angeles City Franchise Ordinances.

EXHIBIT E

Identification of Certain Physical Properties
Abandoned

(In addition to those reflected in Item 12 of Exhibit B hereto)

- I. Track and track structures and street car electric distribution facilities in the following described streets:
 - A. Central Avenue between 7th Street and 12th Street.
 - B. 12th Street between Central Avenue and Main Street.
 - C. Main Street between 12th Street and 9th Street.
 - D. Spring Street between 9th Street and 1st Street.
 - E. Broadway Place between Broadway near Olympic Boulevard and Main Street.
 - F. 4th Street between Broadway and Spring Street.
 - G. Avenue 20 between Broadway and Pasadena Avenue.
 - H. San Fernando Road between Pasadena Avenue and Figueroa Place.
 - I. Figueroa Place between San Fernando Road and Avenue 22.
 - J. Figueroa Street between Avenue 22 and Avenue 28.
 - K. Avenue 28 between Figueroa Street and Idell Street.

- II. Railway operating rights in the following street:
(Prior to dedication as street, Company or predecessor maintained and operated facilities under rights granted by right-of-way deeds.)
 - A. Avenue 28 between Figueroa Street and Huron Street.
 - B. Avenue 28 between Huron Street and Idell Street.

CONFIRMATION

Chapter 547 of the Statutes of 1957
having now become effective, the foregoing
agreement as supplemented by that certain
letter agreement of September 12, 1957 is
hereby ratified, confirmed, and re-executed.

Dated September 12, 1957.

LOS ANGELES METROPOLITAN TRANSIT
AUTHORITY

By

Hayden G. Jones
Chairman

By

William J. [unclear]
Secretary

LOS ANGELES TRANSIT LINES

By

E. C. [unclear]
President

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
2233 Beverly Boulevard
Los Angeles, California

September 12, 1957

Los Angeles Transit Lines
1060 South Broadway
Los Angeles, California

Attention - Mr. E. C. Houghton, President

In re: Letter Agreement of July 24, 1956 between
Los Angeles Metropolitan Transit Authority
and Los Angeles Transit Lines

Dear Sirs:

A Letter Agreement was entered into under date of July 24, 1956 between Los Angeles Metropolitan Transit Authority (hereinafter referred to as "our Authority") and Los Angeles Transit Lines (hereinafter sometimes referred to as "your Company" or "the Company"), to which Letter Agreement reference is herein made. By the terms of such Agreement it was provided that our Authority would use its best efforts to obtain enabling legislation as set forth in Exhibit A of that Agreement to permit our Authority to develop a unified and integrated system of mass rapid transit in the Los Angeles metropolitan area and adjacent communities. As provided in Section VII of said Letter Agreement, such enabling legislation was introduced and has been adopted by the California State Legislature as Assembly Bill 1104, 1957 Regular Session, and was approved by the Governor and on September 11, 1957 became effective as Chapter 547, Statutes of 1957. This legislation we will hereafter refer to as the "Los Angeles Metropolitan Transit Authority

Act of 1957". Said Los Angeles Metropolitan Transit Authority Act of 1957, although it repealed the Los Angeles Metropolitan Transit Authority Act of 1951, in connection with such repeal expressly provided in Section 12.4 thereof that it should be construed "as a restatement and continuation of the existing law and not as a new enactment nor shall anything in this Act impair the existence, the validity, the rights, or the obligations of the Los Angeles Metropolitan Transit Authority created by the 'Los Angeles Metropolitan Transit Authority Act' and all property, plans, operations, contracts, and undertakings of said Los Angeles Metropolitan Transit Authority shall, upon the effective date of this Act, continue to be vested in the Authority". Said Los Angeles Metropolitan Transit Authority Act of 1957 in certain particulars was not identical with the Los Angeles Metropolitan Transit Authority Act, Chapter 1668 of the Statutes of 1951, as proposed to be amended by the draft of the enabling legislation attached to said July 24, 1956 Letter Agreement as Exhibit A and referred to therein. To the extent that said Los Angeles Metropolitan Transit Authority Act of 1957 is not so identical with the earlier act as so proposed to be amended, it is our understanding that said Los Angeles Metropolitan Transit Authority Act of 1957 is acceptable to the parties to said July 24, 1956 Letter Agreement in lieu of the earlier act (Chapter 1668, Statutes of 1951) as so proposed to be amended and said parties accept said Los Angeles Metropolitan Transit Authority Act of 1957 as the enabling legisla-

tion required and referred to in said Letter Agreement of July 24, 1956 wherever in such Letter Agreement reference thereto is had. Enactment of said Los Angeles Metropolitan Transit Authority Act of 1957 is now deemed to be satisfaction of the condition contained in Section VII of said July 24, 1956 Letter Agreement, and, accordingly, said July 24, 1956 Letter Agreement is now effective.

By reason of the above approval of the Los Angeles Metropolitan Transit Authority Act of 1957, definition of the Los Angeles metropolitan area contained in said July 24, 1956 Letter Agreement is hereby amended to coincide with the definition of such area in Section 1.1 of said Act.

In accordance with Section VII, Paragraph 4, of said Letter Agreement, our Authority hereby, and your Company by your acceptance hereof, ratify, confirm, and reauthorize said Letter Agreement of July 24, 1956 and will re-execute said Letter Agreement, provided, however, that July 24, 1956 shall still be applicable to the several covenants and agreements wherein reference is made to the date of said Letter Agreement.

As a supplemental understanding, it is agreed that, as to contracts and leases of your Company acquired by our Authority at the date of closing which are not by their terms assignable without prior consent to the other contracting party or parties, your Company will use its best efforts to procure consent to such assignments.

As a further supplemental understanding, it is agreed that:

- (1) For the purpose of determining our respective

responsibilities under Section III 2 (a) of the Letter Agreement of July 24, 1956, liability for property damage and personal injuries shall be deemed to accrue on the date of occurrence thereof.

(ii) The word "greater" appearing in the seventh line of Section VIII 1 (d) of said Letter Agreement of July 24, 1956 is hereby changed to "less".

(iii) Section VIII 1 (e) of said Letter Agreement of July 24, 1956 is hereby amended to read in its entirety as follows:

"(e) The Authority will continue such employment of each such person after one year to the extent that operations on the properties acquired from your Company require each such person, provided that individual employee performance shall be satisfactory to the Authority and that the personnel organization under public ownership of the Authority may require the same executive and managerial positions as are in effect under Company ownership and operation."

If the foregoing is in accordance with your understanding and acceptable to you, will you please so indicate at the foot of the attached copy of this letter and return such copy to us, in which case such duplicates of this letter shall constitute agreement between us and shall constitute ratification of the July 24, 1956 Letter Agreement as contemplated by its terms.

Accepted and approved at
Los Angeles, California
this 27th day of September, 1957
LOS ANGELES TRANSIT LINES

By /s/ E. C. Houghton
President

By /s/ Virginia L. Rees
Secretary

Very truly yours,
LOS ANGELES METROPOLITAN
TRANSIT AUTHORITY

By /s/ Hayden F. Jones
Chairman

By /s/ Ralph P. Merritt
Secretary

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY

2233 BEVERLY BOULEVARD
LOS ANGELES 57, CALIFORNIA

July 13, 1956

HAYDEN F. JONES
CHAIRMAN
EMMETT E. DOHERTY
VICE-CHAIRMAN
RALPH P. MERRITT
GENERAL MANAGER
AND SECRETARY

MEMBERS
FRED S. DEAN
EMMETT E. DOHERTY
HAYDEN F. JONES
RALPH P. MERRITT
MARTIN E. POLLARD
CLARENCE A. WINDER

Mr. E. C. Houghton, President
Los Angeles Transit Lines
1060 South Broadway
Los Angeles 15, California

Dear Mr. Houghton:

The proposed revised Letter Agreement between the Los Angeles Metropolitan Transit Authority and the Los Angeles Transit Lines has been under study by members of the Authority who now request a letter from you in clarification of certain contracts to which reference is made as follows:

- A. Transfer of Assets, page 3, 1 (b)-- "All contracts expressed or implied. . . including all of the contracts . . . listed in Exhibit C." We would appreciate copies of contracts listed under Exhibit C, I and A-B-C-F.
- B. Under Employment, VIII 1 (d) "terms not less favorable as to rates of compensation, working conditions and pensions, insurance, medical and other benefits", will you please define specifically the obligations which the Authority would assume under "pensions, insurance, medical and other benefits".

Under Union Contracts, page 28 (a), paragraph 2, it is stated "Our Authority will accept the transfer of such contracts and assume the Company's obligations thereunder and will adopt their terms including those relating to terms of compensation, working conditions and pension, insurance, medical, severance, and other benefits". Will you please define the obligations which will be assumed by the Company under Union Contracts for pensions, insurance, medical, severance and other benefits.

- C. Please advise us whether any retirements funds for any employees of the Company have accrued and are presently held in the hands of the Company, or in other hands, for which responsibility would be assumed by the Authority at the date of closing.

You will be interested to know that the proposed Letter Agreement has been carefully studied and a legal opinion rendered to the Authority

Mr. E. C. Houghton

-2-

July 13, 1956

by Mr. Emmett E. Doherty, a member of the Authority, and that this concludes with the following paragraph:

"You are advised that the Authority has the legal power to enter into a conditional agreement for the acquisition of the Los Angeles Transit Line system of the nature and character described herein. In my opinion, the letter agreement when properly executed by the Authority and the Seller will carry into effect the plan of the Authority to acquire the operating transit system of the Seller as a continuing operation for a negotiated price in cash and determined as set forth in Section II subject, however, to the enactment of the enabling legislation referred to above."

By this letter the Authority is seeking information and clarification of certain matters to which reference is made, but there are no matters of disagreement between the Authority and the Los Angeles Transit Lines in the matter of the proposed revised letter.

Very sincerely yours,



Ralph P. Merritt
General Manager

RPM/lw

SECRETARY'S FILE

July 20, 1956

AUDIT NO.
500

Mr. Ralph P. Merritt, General Manager
Los Angeles Metropolitan Transit Authority
2233 Beverly Boulevard
Los Angeles 57, California

Re: Proposed letter agreement between your
Authority and this Corporation relating
to purchase and sale.

Dear Mr. Merritt:

Copies of the contracts relating to employees,
described in Exhibit C at paragraphs A, C, E and F of Section I,
are enclosed as follows:

1. Los Angeles Transit Lines Retirement Income Plan promulgated as of August 17, 1948, as amended June 1, 1952, and related Agreement of Trust of even date with Plan with Bank of America National Trust and Savings Association, as Trustee (herein called "LATL Retirement Plan").
2. Group Insurance Policy issued by Aetna Life Insurance Company as No. 51,350, with four riders and amendments (herein called "LATL Group Life Insurance").
3. Los Angeles Transit Lines Medical Plan (herein called "Medical Plan").
4. Agreement between Los Angeles Transit Lines and Transportation Union, Division 1277, Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, effective June 1, 1955 (herein called "Union Contract").

The Special Roll, copy of which you requested as Item B, is an informal unfunded pension plan which was developed originally by the executives for employees with at least twenty years of service who were unable to perform their duties. Beginning in 1939, transfers to the Special roll were made only pursuant to resolution of the Board of Directors. The Board generally reserved the right to reduce or cancel the Special Roll payments.

Mr. Ralph P. Merritt
Page 2
July 20, 1956

but the validity of such reservation has not been judicially determined. The monthly pension is equal to 1% of the highest compensation per month multiplied by the number of years of service. Until June 1, 1946, the amounts payable under the formula were reduced each month by Social Security benefits payable to the employee and his dependents. In addition, the Company continues in force at its expense the LATL Group Insurance which the employee carried at the time of transfer to Special Roll. No employee who is a participant in either of the other retirement plans supported by the Company is eligible for transfer to the Special Roll. Less than ten employees now in service are eligible to transfer to Special Roll. These pension payments, which are described as operating expenditures, would be assumed by your Authority.

The retirement benefit formula under the LATL Retirement Plan is based on years of continuous service. Excluding the first three years, \$2 per month is allowed for each year of service prior to normal retirement date, with maximum of \$60 per month and minimum of \$20 per month. A death benefit equal to 50 times the monthly annuity is payable to beneficiary of any participant who dies prior to his normal retirement date. Participants becoming permanently disabled after 20 years of service are entitled to disability benefits. These are a percentage (determined by attained age) of their monthly retirement income. Severance benefits are provided for participants who terminate their employment prior to normal retirement date. Both the Company and the participants make monthly contributions to Bank of America National Trust and Savings Association as Trustee under the Plan. Employees' contributions are fixed according to enrollment age. The Company is obligated to contribute each year an amount which with the employees' contributions will keep the Plan actuarially sound. Such obligation would be assumed by the Authority.

The Company pays the premium on \$1,000 of the LATL Group Insurance carried by employees who are in service more two years, and on \$500 for employees with one, but less than two, years of service. Except for those on the Special Roll, the employees pay the balance of the premium on such group insurance.

The LATL Medical Plan is limited to active employees. They contribute \$3.50 per month and the Company pays the balance of the cost. The maximum hospitalization benefit is 90 days. Medical services are limited to 52 weeks treatment for any one ailment, and are not available or are restricted for certain ailments.

The Union Contract has been developed during the past

Mr. Ralph P. Merritt
Page 3
July 20, 1956

15 years through the bargaining process. All of its provisions should be studied, but particularly those under the following articles:

- | | |
|----------------------------|---|
| XX - Medical Plan | XXIII - Holidays |
| XXI - Group Life Insurance | XXIV - Sick Leave (limited to monthly salaried employees) |
| XXII - Pass Privilege | XXVI - Vacations |

all of which by executive action have been extended on the same terms and conditions to employees who are not members of the Union.

Reference is made to the LATL Retirement Plan, LATL Group Life Insurance Policy, and the LATL Medical Plan and the Union Contract for a complete statement of their respective provisions.

Twenty members of the executive staff are participants in a fully insured plan (herein called "NCL Retirement Plan") which provides for monthly retirement annuities equal to 40% of the average monthly compensation subsequent to enrollment. Such annuity, however, is reduced by the Social Security benefits payable to the employee. Two of these participants were over 55 when they enrolled and, therefore, their annuity is computed at 30% instead of 40%. For each \$1 of monthly annuity, there is a death benefit of \$100 for those participants who die before retirement. If the cash surrender value of the policy exceeds such death benefit, the employee's beneficiaries are entitled to the cash surrender value. The policies are carried in State Mutual Life Assurance Company, at an annual level premium, and are held in trust by an individual trustee to whom the Company pays the annual premiums as the total yearly contribution. On each anniversary of enrollment, 20% of the ownership of the policy held in trust vests in the employee. All but two of the participants have been enrolled more than five years and, hence, their policies are fully vested. Should they withdraw from the NCL Retirement Plan, they would be entitled to such policies.

The "pension, insurance, medical and other benefits" used in Section VIII-1(d) refer to those provided

- (i) as "pensions" under NCL Retirement Plan for the 20 members of the executive staff and under LATL Retirement Plan for other employees;

Mr. Ralph P. Merritt
Page 4
July 20, 1956

- (ii) as "insurance" under the LATL Group Life Insurance;
- (iii) as "medical" under the Medical Plan, and
- (iv) as "other benefits," the Pass Privilege, the Holidays, the Sick Leave, and the Vacations on the same basis and terms as provided in the Union Contract at Date of Closing, for members of the Union but extended to other employees, and all other rights, benefits and privileges covered by such Union Contract.

The "pensions, insurance, medical, severance and other benefits" used in Section VIII-2, refers to the obligations of the Company set forth in the LATL Retirement Plan, Medical Plan, LATL Group Life Insurance, and in the Union Contract as it may exist on Date of Closing.

As explained above, the NCL Plan is an insured plan calling for level annual premiums from enrollment to date of retirement. Premiums fall due each year on October 1, and are entirely paid by the Company. Upon severance an employee is entitled to the policy, if fully vested, or if not fully vested, to the vested portion of the cash surrender value. The monthly annuity payable at retirement on the value assignable to the employee might be used to reduce the monthly annuity which the Authority would be obligated for at retirement.

The LATL Retirement Plan embraces two plans, a fully insured plan for employees enrolling at age 56 or over, and a self-administered plan for those enrolling at age 55 or younger. Except for one participant, all who enrolled at age 56 or older were enrolled in 1948. They are retired or will be retired not later than June 1, 1958, two months after the expected Date of Closing. The cost for this older group is spread over ten equal annual premiums, payable monthly. These premiums initially approximated \$339,000 annually, and are estimated now at \$300,000.

For the younger group, the Trustee at enrollment obtains an ordinary life insurance policy on the participant for the amount of the death benefit. The premiums are paid monthly out of a premium fund. For providing the disability benefits, the Trustee maintains a Supplemental Disability Account (LATL Retirement Plan, 5.02(e)). And for providing a fund for converting the life insurance policies at retirement dates into the required annuity contracts, the Trustee maintains a Supplemental Conversion Account (LATL Retirement Plan, Art. VI). Each Anniversary Date of the Plan, the Pension Committee, which administers the Plan, obtains an estimate from National Associates, Inc. (an independent

Mr. Ralph P. Merritt
Page 5
July 20, 1956

firm of Pension specialists) of the Plan requirements for the ensuing year, with a certificate as to the total amount which must be paid to the Trustee to keep the Plan actuarially sound for the ensuing year. The Company is obligated to pay to the Trustee the contributions collected from the participants plus its own contribution in an amount sufficient to keep the Plan actuarially sound as shown in such certificate. The payments to the Trustee are spread over the 12 months of the Plan year. The actuarial determination is based on the formula prescribed in the Plan, which includes an evaluation of assets credited to the Supplemental Conversion Account (Sec. 6.03).

All assets of the LATL Retirement Plan, including policies, are held by the Trustee. Funds not needed for premiums are invested either in U.S. Savings Bonds, Series G or K, or in Group Annuity Contract Policy G-1754 with Pacific Mutual Life Insurance Company. These investments were valued as of May 31, 1956 at \$2,350,519.11. The individual life policies (for younger group) and individual endowment annuity policies (for older group) are issued by Occidental Life Insurance Company. Reference to the LATL Retirement Plan is made for a full description of the obligations of this Company at this time. The Union has notified us that they will demand an increase in benefits when the cost of retirement policies for the older group are substantially paid in 1958.

All of the disbursements now being made by the Company under the above mentioned LATL Retirement Plan, the NCL Retirement Plan, the Medical Plan, and the Union Contract as extended to all employees, as well as for premiums on Group Life Insurance covering both active (limited to \$1,000) and retired employees are paid out of revenues. As such revenues would under the proposed letter agreement shift on the Date of Closing from the Company to the Authority, the obligation to make such disbursements as they become payable would follow the revenues and be assumed by your Authority, subject to such letter agreement.

As you requested, this letter is intended to clarify rather than precisely set forth the Company's obligations that would be assumed by the Authority on the Date of Closing. The contracts on Date of Closing, of course, would contain such precise obligations.

We trust that this information will be helpful to the members of the Authority in making their study of the proposed letter agreement.

Very sincerely yours,

cc to Messrs. Cone T. Bass
S. M. Lanham
Joseph G. Gorman

E. C. HOUGHTON
President

ECH:JGG:VR
Encs.

CONFIRMATION

Chapter 547 of the Statutes of 1957
having now become effective, the foregoing
agreement as supplemented by that certain
letter agreement of September 12, 1957 is
hereby ratified, confirmed, and re-executed.

Dated September 12, 1957.

LOS ANGELES METROPOLITAN TRANSIT
AUTHORITY

By Hayden F. Jones
Chairman

By Robert J. ...
Secretary

LOS ANGELES TRANSIT LINES

By E. C. ...
President

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
2233 Beverly Boulevard
Los Angeles, California

September 12, 1957

Los Angeles Transit Lines
1060 South Broadway
Los Angeles, California

Attention - Mr. E. C. Houghton, President

In re: Letter Agreement of July 24, 1956 between
Los Angeles Metropolitan Transit Authority
and Los Angeles Transit Lines

Dear Sirs:

A Letter Agreement was entered into under date of July 24, 1956 between Los Angeles Metropolitan Transit Authority (hereinafter referred to as "our Authority") and Los Angeles Transit Lines (hereinafter sometimes referred to as "your Company" or "the Company"), to which Letter Agreement reference is herein made. By the terms of such Agreement it was provided that our Authority would use its best efforts to obtain enabling legislation as set forth in Exhibit A of that Agreement to permit our Authority to develop a unified and integrated system of mass rapid transit in the Los Angeles metropolitan area and adjacent communities. As provided in Section VII of said Letter Agreement, such enabling legislation was introduced and has been adopted by the California State Legislature as Assembly Bill 1104, 1957 Regular Session, and was approved by the Governor and on September 11, 1957 became effective as Chapter 547, Statutes of 1957. This legislation we will hereafter refer to as the "Los Angeles Metropolitan Transit Authority

Act of 1957". Said Los Angeles Metropolitan Transit Authority Act of 1957, although it repealed the Los Angeles Metropolitan Transit Authority Act of 1951, in connection with such repeal expressly provided in Section 12.4 thereof that it should be construed "as a restatement and continuation of the existing law and not as a new enactment nor shall anything in this Act impair the existence, the validity, the rights, or the obligations of the Los Angeles Metropolitan Transit Authority created by the 'Los Angeles Metropolitan Transit Authority Act' and all property, plans, operations, contracts, and undertakings of said Los Angeles Metropolitan Transit Authority shall, upon the effective date of this Act, continue to be vested in the Authority". Said Los Angeles Metropolitan Transit Authority Act of 1957 in certain particulars was not identical with the Los Angeles Metropolitan Transit Authority Act, Chapter 1668 of the Statutes of 1951, as proposed to be amended by the draft of the enabling legislation attached to said July 24, 1956 Letter Agreement as Exhibit A and referred to therein. To the extent that said Los Angeles Metropolitan Transit Authority Act of 1957 is not so identical with the earlier act as so proposed to be amended, it is our understanding that said Los Angeles Metropolitan Transit Authority Act of 1957 is acceptable to the parties to said July 24, 1956 Letter Agreement in lieu of the earlier act (Chapter 1668, Statutes of 1951) as so proposed to be amended and said parties accept said Los Angeles Metropolitan Transit Authority Act of 1957 as the enabling legisla-

tion required and referred to in said Letter Agreement of July 24, 1956 wherever in such Letter Agreement reference thereto is had. Enactment of said Los Angeles Metropolitan Transit Authority Act of 1957 is now deemed to be satisfaction of the condition contained in Section VII of said July 24, 1956 Letter Agreement, and, accordingly, said July 24, 1956 Letter Agreement is now effective.

By reason of the above approval of the Los Angeles Metropolitan Transit Authority Act of 1957, definition of the Los Angeles metropolitan area contained in said July 24, 1956 Letter Agreement is hereby amended to coincide with the definition of such area in Section 1.1 of said Act.

In accordance with Section VII, Paragraph 4, of said Letter Agreement, our Authority hereby, and your Company by your acceptance hereof, ratify, confirm, and reauthorize said Letter Agreement of July 24, 1956 and will re-execute said Letter Agreement, provided, however, that July 24, 1956 shall still be applicable to the several covenants and agreements wherein reference is made to the date of said Letter Agreement.

As a supplemental understanding, it is agreed that, as to contracts and leases of your Company acquired by our Authority at the date of closing which are not by their terms assignable without prior consent to the other contracting party or parties, your Company will use its best efforts to procure consent to such assignments.

As a further supplemental understanding, it is agreed that:

- (i) For the purpose of determining our respective

responsibilities under Section III 2 (a) of the Letter Agreement of July 24, 1956, liability for property damage and personal injuries shall be deemed to accrue on the date of occurrence thereof.

(ii) The word "greater" appearing in the seventh line of Section VIII 1 (d) of said Letter Agreement of July 24, 1956 is hereby changed to "less".

(iii) Section VIII 1 (e) of said Letter Agreement of July 24, 1956 is hereby amended to read in its entirety as follows:

"(e) The Authority will continue such employment of each such person after one year to the extent that operations on the properties acquired from your Company require each such person, provided that individual employee performance shall be satisfactory to the Authority and that the personnel organization under public ownership of the Authority may require the same executive and managerial positions as are in effect under Company ownership and operation."

If the foregoing is in accordance with your understanding and acceptable to you, will you please so indicate at the foot of the attached copy of this letter and return such copy to us, in which case such duplicates of this letter shall constitute agreement between us and shall constitute ratification of the July 24, 1956 Letter Agreement as contemplated by its terms.

Accepted and approved at
Los Angeles, California
this 27th day of September, 1957
LOS ANGELES TRANSIT LINES

By /s/ E. C. Houghton
President

By /s/ Virginia L. Rees
Secretary

Very truly yours,
LOS ANGELES METROPOLITAN
TRANSIT AUTHORITY

By /s/ Hayden F. Jones
Chairman

By /s/ Ralph P. Merritt
Secretary