

Law Offices of Michael Brady
1001 Marshall Street, Suite 500
Redwood City, CA 94063

Contacts: Michael Brady, Esq.
Stuart Flashman, Esq.

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For Immediate Release:

Court Delivers Dual Body-Blows to High-Speed Rail Project

Judge Michael Kenny of the Sacramento Superior Court placed two major roadblocks today in front of the California High-Speed Rail Authority's Central Valley project. The judge had ruled back in August that the Authority's funding plan for the project had not complied with the requirements of the Proposition 1A High-Speed Rail bond measure. His ruling today will prevent the Authority's project from spending bond measure funds for construction until the funding plan is brought into compliance. Because that would require finding at least \$26 billion in grants, compliance seems virtually impossible.

In addition, the judge declined today to validate the issuance of High-Speed Rail bonds. The Authority had sought validation, a legal maneuver to protect bond investors from lawsuits challenging the issuance of bonds. Without validation, state Treasurer Bill Lockyer will not allow bonds to be issued, putting the future of the project even more in doubt. With today's ruling on non-compliance with 1A, it is questionable whether the requirements to authorize selling bonds can be met.

The Authority had assured the Court that it would be spending only federal funds to start construction, and that no state bond funds would be used on the project. However, because the federal funds must be matched with state funds, today's rulings mean that state bond funds will not be available to provide that match. That could cause the federal government to rethink whether to put its funds at risk. If the federal government withholds its funds, the project will never break ground.

The case, known as *Tos v. California High-Speed Rail Authority*, was filed in 2011 by a farmer, a rural homeowner and Kings County. They asked the Court to strip the High-Speed Rail Authority's access to bonds, because it failed to meet the statutory requirements of Proposition 1A. Today's ruling marks a successful conclusion to the first part of their suit. The second part of the case would involve showing that the project now proposed by the Authority cannot meet substantive requirements set by the bond measure, including that it operate without a subsidy.

Plaintiff's lead counsel, Michael Brady, was pleased with the ruling. He said "the financial protections of Proposition 1A have served their purpose well. Our litigation to enforce those provisions will protect the state from financial risk. Our clients are very pleased."

Co-counsel Stuart Flashman added, "Today's rulings are a major setback for the High-Speed Rail Authority. They need to step back and rethink their whole approach."

All the briefs filed in the *Tos* case and the validation action are available at Transdef.org. The Court previously ruled that the Authority's Funding Plan had failed to validly certify that for the Merced to San Fernando Valley segment of the project, all environmental clearances had been completed and that sufficient funding sources to complete the segment had been identified.

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