

Sperry Capital Inc.

January 27, 2017

Mr. Kirk Avila
 Treasurer, General Manager of the 91 Express Lanes
 Orange County Transportation Authority
 550 South Main Street
 Orange, California 92863-1584

Dear Kirk:

OCTA received the BBB- indicative rating from S&P Global required by Build America Bureau in July in order to submit a formal credit review for OCTA's requested \$627 million TIFIA loan. OCTA needs two investment grade ratings from "national recognized statistical rating organizations" (NRSROs) approved by the Securities and Exchange Commission (SEC) for the requested TIFIA loan financial closing. The SEC currently approves 10 firms as NRSROs. Only five of the SEC-approved rating agencies have rated TIFIA loans.

OCTA flew to New York to update the five SEC-approved rating agencies on December 20 and 21 on the I-405 Improvement Project (405 Project) and the preliminary plan of finance for the TIFIA loan. The purpose of meetings was to update Moody's, S&P, and Fitch on progress since July and introduce the 405 Project to Kroll and DBRS as well as to respond to questions. OCTA told the credit analysts that, after discussions with the rating agency's business development officers (who generally do not participate in credit rating meetings), it plans to engage two rating agencies in January and proceed with formal rating agency presentations required to close the TIFIA loan. OCTA met with the five following rating agencies in New York.

Moody's	Moody's rates OCTA's Measure M2 Sales Tax Revenue Bonds Aa2 and 91 Express Lanes Bonds A1. Moody's has rated multiple TIFIA credits.
Fitch Ratings	Fitch rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and 91 Express Lanes Bonds A. Fitch has rated multiple TIFIA credits.
Kroll Bond Rating Agency	Kroll is a relatively new SEC-approved rating agency. Kroll does not currently rate any OCTA credits. Kroll has recently rated multiple TIFIA loans.
S&P Global Ratings	S&P rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+, 91 Express Lanes Bonds AA- and gave the TIFIA Loan a BBB- indicative rating last July. S&P has rated multiple TIFIA credits.
DBRS	DBRS, headquartered in Toronto, does not currently rate any OCTA credits. DBRS has recently rated TIFIA loans for managed lanes project in North Carolina and Texas.

Chair Lori Donchak, Vice-Chair Michael Hennessey, as well as Darrell Johnson, Andy Oftelie, Jeff Mills, joined you in representing OCTA at the New York meetings. Steven Abendschein from Stantec, Barney Allison from Nossaman, Kevin O'Brien from Bank of American Merrill Lynch and I attended the updates as well.

The Treasury/Toll Roads Department and the Capital Projects Department, with support from many departments throughout OCTA, worked diligently in December to update the comprehensive 99-page spiral bound PowerPoint presentation, entitled "I-405 Improvement Project Update December 2016", which was presented at each of OCTA's meetings.



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The December 2016 update presentation was organized as follows:

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Tuesday, December 20

Moody's: We arrived at Moody's, across the street from 7 World Trade Center, for a 9:00 a.m. meeting. Moody's was represented by Maria Matesanz, Michael Mulvaney, and Jenna Schlags from their New York office. Maria and Jenna are infrastructure specialists and Michael Mulvaney heads Moody's project finance group.

Moody's started the meeting with a 30-minute "transparency presentation" handout based on key metrics which explained the methodology of Moody's existing rating of the 91 Express Lanes. Maria Matesanz explained that Moody's is currently updating its toll road credit metrics and that she doubted that the new metrics anticipated to be released in March will impact Moody's existing A1 rating of the 91 Express Lanes.

After the "transparency presentation", Chair Donchak introduced the 405 Project discussion by describing the importance of the 405 Project, "It's a bridge that connects Los Angeles county to the heart of Orange County. The 16 miles will take almost two hours in 2040 if the 405 Project is not done. We have our eye on the opening in January 2023, which is just around the corner in a conversation about infrastructure."

Vice-Chair Michael Hennessey spoke next. He emphasized, "We have delivered all the projects from our M1 sales tax measure. We stress our slogan, promises made, promises kept. We have the confidence of our community."

Darrell Johnson presented the 405 Project Overview section. He used the artist's rendition of the completed 405 Project that the Board as seen many times on page 15 to show the Moody's analysts how the completed 405 Project will look, "As you can see, there's no congestion. But this is a utopian view. It never looks empty like this. The yellow lanes are the new shoulder lanes and the green lanes are the new dual-lane 405 Express Lanes. All you normally see is congestion and brake lights in both directions."

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Jeff Mills presented the sections entitled 405 Project Design-Builder and 405 Project Risks and Mitigation. Jeff said, “The \$1.9 billion project presents OCTA with opportunities and challenges. The arterials are laid out on a grid basis but the bridges are skewed at an angle. This adds to the project complexity. However, actual construction of the bridges and adding the new shoulder lanes is relatively straightforward.”

Jeff described the program and construction management risk mitigations and Barney Allison described the security package in the Design-Build contract.

Steven Abendschein gave an overview of the Stantec traffic and revenue forecast.

Fitch Ratings: We arrived at Fitch for an 11 a.m. meeting. Fitch was represented by Cherian George and Tanya Langman from Fitch’s New York office and Scott Monroe from Fitch’s San Francisco office. OCTA enjoyed a lively two-hour dialogue with the Fitch credit analysts during the December 2016 update.

Chair Lori Donchak introduced the OCTA presentation and 405 Project team and summarized the highlights of the presentation. She emphasized the importance of the 405 Project to Orange County, “The 405 is the busiest corridor in the U.S. Every day we are not pushing the project, people want to know why.”

Darrell Johnson focused on the travel time benefits of the 405 Project, “Page 18 is my favorite page. It graphically shows the time savings. In the no-build scenario in 2040, it will take more than two hours to travel the 16 miles in the general purposes as well as in the HOV lanes in 2040.”

Jeff Mills described the details of the 405 Project Design-Builder’s scope and milestones. Jeff also described the members of the OC 405 Partners team. Fitch appreciated hearing about OHL’s recent Orange County experience and the number of major participants and subcontracts with California experience. The Fitch analysts asked many technical questions about the 405 Project scope and its impact on local arterials as well as the Pacific Coast Highway.

Barney Allison described the security package in the Design-Build contract. Fitch asked several technical questions about the Design-Build contract including questions about the parent guarantees of OHL and Astaldi and their joint and several obligations. Fitch’s Tanya Langman also asked questions about the status of OCTA’s ROW mitigation approach. Fitch was pleased to hear that OCTA has carefully planned its ROW strategy and had doubled its original ROW mitigation contingencies.

Kroll: We arrived at Kroll for a 2 p.m. meeting at Kroll’s mid-town office. Kroll was represented by credit analysts Karen Daly, Kate Hackett, Harvey Zachmen, and Andrew Clarke of their New York office.

Chair Lori Donchak introduced the OCTA presentation, her OCTA colleagues and the 405 Project consultants. The meeting was the first time OCTA has met with Kroll. Chair Lori Donchak said, “You’ll hear us use the word conservative today a lot. We take pride in the fact that our forecasts are conservative.”

Vice-Chair Michael Hennessey presented the section entitled Orange County Transportation Authority. He described OCTA’s history and successful project delivery experience and said, “We do two things very well, we successfully deliver projects and we manage a project just like the 405 Express Lanes which is the 91 Express Lanes. We’ve managed the 91 Express Lanes through difficult economic cycles. We implemented

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our Toll Policy in 2003 and haven't changed it and we've maintained the quality of the 91 Express Lanes asset."

Jeff Mills described OCTA's approach to risk mitigation for the 405 Project, "We have a laser focus on identifying and mitigating risk. We've focused on four primary risks. ROW acquisition, utility relocation, third-party agreements, and permits as well a fifth key risk, geotechnical. In my experience, if you address these risks, you'll have a successful project."

Wednesday, December 21

Standard & Poor's: We arrived at 10:00 a.m. at their offices at 55 Water Street. S&P was represented by Peter Murphy in New York and Todd Spence via telephone from Dallas. Due to S&P's indicative rating presentation in June, the OCTA team gave the S&P credit analysts a one hour update.

After introductions, Chair Lori Donchak told the S&P analysts, "To put you in the California frame of mind, the 405 corridor is the busiest corridor in the U.S. Our constituents want the 405 Project. Over 70% of Orange County voters approved the M2 vote which included funds for the 405 general purpose lanes." Chair Lori Donchak also emphasized that Caltrans wants the 405 Project, "Caltrans is a true partner. They have contributed \$82 million to the 405 Project and they have reviewed the 405 Express Lanes Toll Policy. Their support is based in part on their growing interest in managed lanes."

Vice-Chair Michael Hennessey added, "Our reputation is based on two things. We know how to build things and operate managed lanes. In short, we know how to get things done."

Darrell Johnson emphasized the importance of two major milestones reached at OCTA's November 14, 2016 Board meeting, "The Board awarded the 405 Project Design-Build contract to OC 405 Partners. In addition, the Board approved for the Toll Operating Agreement negotiated with Caltrans. Toll Operating Agreement allows OCTA to charge 405 Express Lanes for 40 years after opening and gives OCTA total control over the use of excess toll revenues. Local control was critical to OCTA's Board."

Jeff Mills described the program and construction management risk mitigations, Barney Allison described the security package in the Design-Build contract and Andy Oftelie provided an overview of the preliminary TIFIA loan financial model and the 405 Project source of funds and uses outlined on page 66.

Darrell Johnson described the Summary of Requested TIFIA Loan Credit Strengths outlined on pages 72 and 73. The S&P credit analysts were impressed and told OCTA that they looked forward to the opportunity to participate in the formal investment grade rating process beginning in January.

DBRS: We arrived at 11:00 a.m. at their offices at 140 Broadway Street. DBRS was represented by Eric Beauchemin, Kevin Li, and Andrew Chiu of their Toronto, Canada, headquarters office. DBRS has significant experience in Canadian project finance projects and has used their experience to rapidly build a presence in rating TIFIA loans.

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After Chair Lori Donchak introduced the presentation team and 405 Project team, she gave the DBRS credit analysts an overview of the 16-mile 405 Project and its importance to OCTA and to drivers throughout Southern California. Vice Chair Michael Hennessey gave a thorough overview of OCTA's history and services as well as OCTA's success in delivering projects and managing the 91 Express Lanes.

Darrell Johnson provided an overview of the 405 Project. DBRS's Eric Beauchemin was intrigued with Darrell's discussion of OCTA's managing environmental opposition. "Large infrastructure projects frequently face environmental opposition." acknowledged Darrell. "OCTA has a master mitigation plan. We have 1,300 acres that we have purchased and set aside. We have also set aside funds for the annual maintenance of the environmentally sensitive areas. We looked at our needs and the environmentalist's needs and we successfully brought them together."

Jeff Mills described the program and construction management risk mitigations and Barney Allison described the security package in the Design-Build contract, Steven Abendschein gave an overview of the Stantec traffic and revenue forecast, and Andy Oftelie provided a brief description of the preliminary TIFIA loan financial plan.

Eric Beauchemin and his colleagues asked a series of technical questions about the Stantec traffic and revenue forecast, the Design-Builder's financial and technical capabilities, the traffic management plan, ROW, and the Design-Build contract security package. The questions from the Canadian firm, based on their project finance experience, were helpful to receive and address with the DBRS credit analysts.

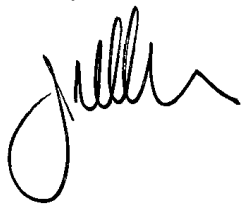
After the OCTA update on the 405 Project, Eric Beauchemin provided OCTA with an overview DBRS.

Summary:

The December 2016 New York Update meetings were well received. The credit analysts at the rating agencies thanked OCTA for the detailed information in the December 2016 Update book and reiterated that their business development officers were available for questions in January.

I have attached a complete list of the rating agency credit analysts who participated in OCTA's December 2016 New York update meetings.

Sincerely,



James W. Martling
Principal

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Agency	Name	Title	Location
Moody's	Maria Matesanz	Senior VP, Global Project & Infrastructure Group	New York, NY
Moody's	Michael Mulvaney	Managing Director, Global Project & Infrastructure Group	New York, NY
Moody's	Jenna Schlags	Assistant VP, Global Project & Infrastructure Group	New York, NY
Fitch	Cherian George	Managing Director, Project & Infrastructure Finance	New York, NY
Fitch	Scott Monroe	Director, Project & Infrastructure Finance	San Francisco
Fitch	Tanya Langman	Director, Project & Infrastructure Finance	New York, NY
Kroll	Karen Daly	Senior Managing Director, Public Finance	New York, NY
Kroll	Kate Hackett	Managing Director, Public Finance	New York, NY
Kroll	Harvey Zachem	Managing Director, Public Finance	New York, NY
Kroll	Andrews Clarke	Senior Director, Public Finance	New York, NY
S&P Global	Peter Murphy	Managing Director & Analytical Manager, Public Finance	New York, NY
S&P Global	Todd Spence	Director, Public Finance	Dallas, TX
DBRS	Eric Beauchemin	Managing Director, Global Corporate	Toronto
DBRS	Kevin Li	Vice President, Infrastructure Finance	Toronto
DBRS	Andrew Chiu	Vice President, Infrastructure Finance	Toronto