

# 91 Express Lanes Swap Termination



# Background on 91 Express Lanes Debt

- Issued \$195.265 million Ambac-insured bonds in November 2003
  - \$95.265 million in fixed rate bonds (Series A)
  - \$100 million in variable rate demand bonds (Series B)
  - Variable rate demand bonds swapped to synthetic fixed rate of 4.06% with two counterparties (Bear Stearns and Lehman Brothers)
  
- Entered into a \$100 million private placement transaction with the Orange County Treasurer in December 2008
  - Two year term – matured December 2010
  - 3.85% fixed interest rate
  
- Entered into a second \$100 million private placement transaction with the Orange County Treasurer in December 2010
  - Two year, eight month term – matures August 15, 2013
  - 1.55% fixed interest rate

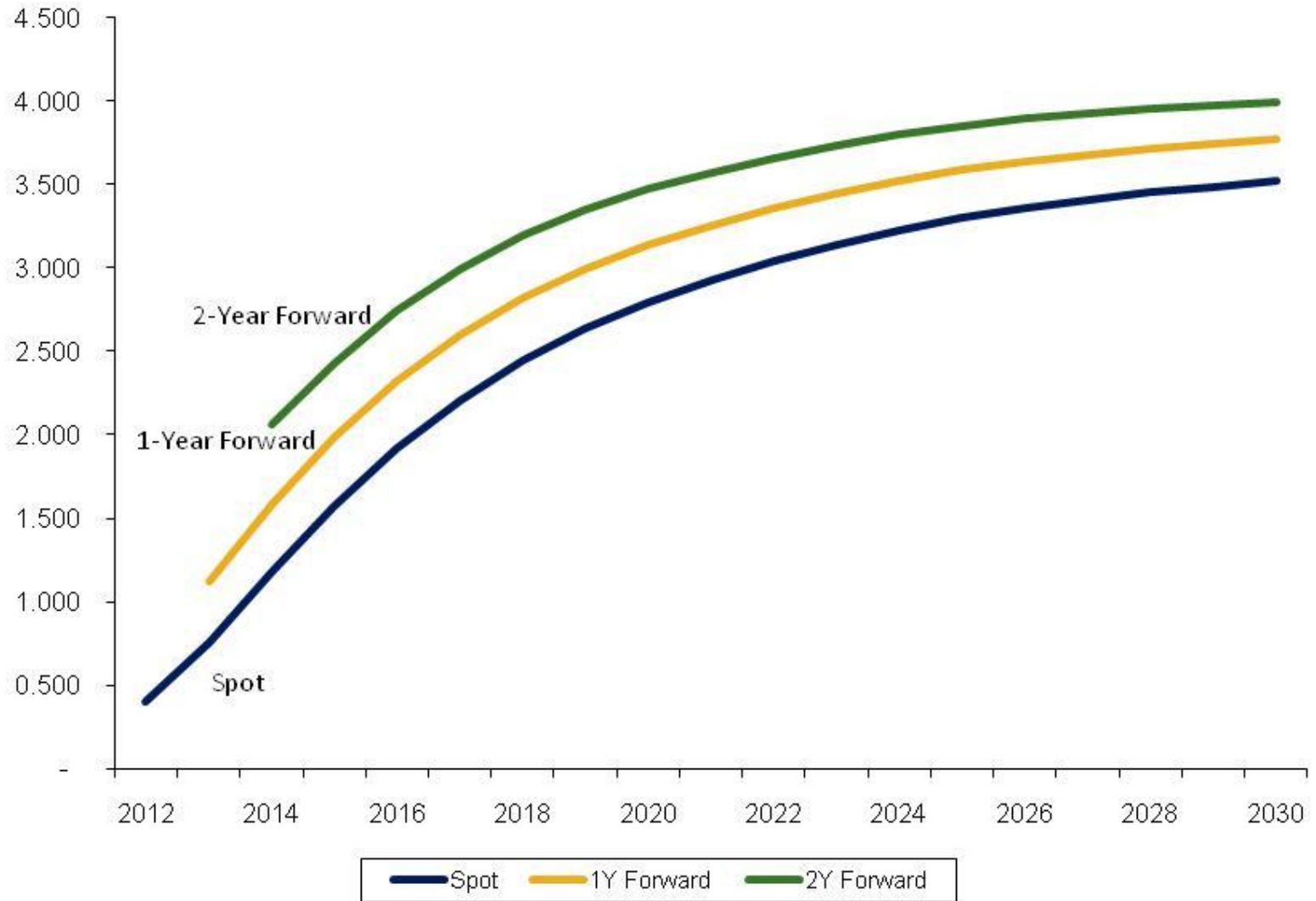
# Background on 91 Express Lanes Swaps

- \$25 million Bear Stearns swap acquired by JP Morgan in 2008
  - Swap functioning as designed
- \$75 million Lehman swap transferred to Lehman subsidiary – Lehman Brothers Commercial Bank (renamed Woodlands Bank)
  - Counterparty payments between OCTA and Woodlands ceased in September 2008
  - Net amount owed by OCTA to Woodlands is approximately \$6.6 million as of February 28, 2011 (true up payment)
- Swap agreements with Woodlands Bank and JP Morgan currently remain in place

# Historical Termination Cost of Woodlands Swap

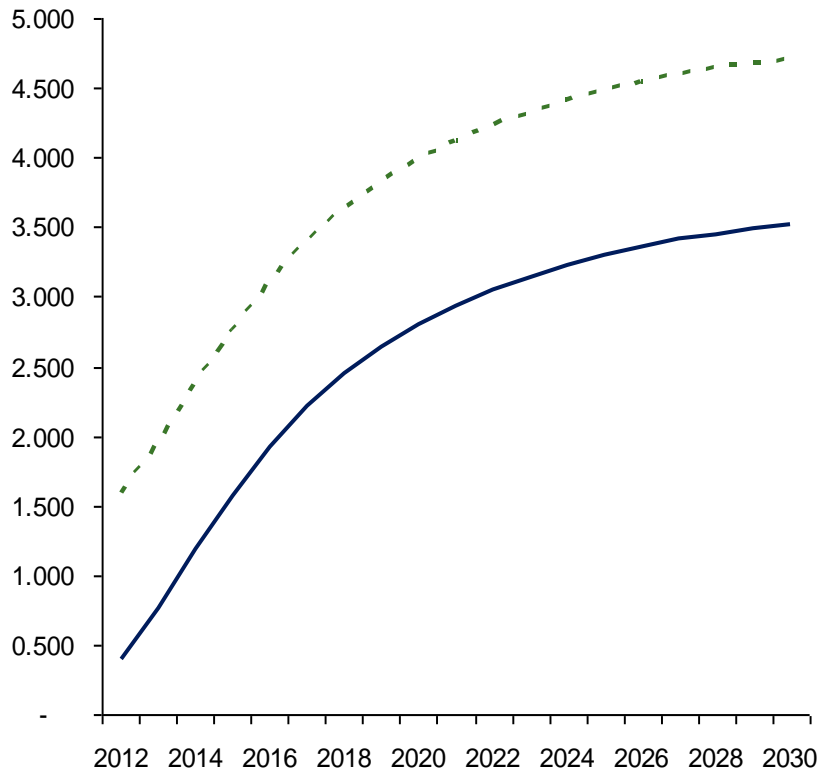


# Tax-Exempt Yield Curves (SIFMA)



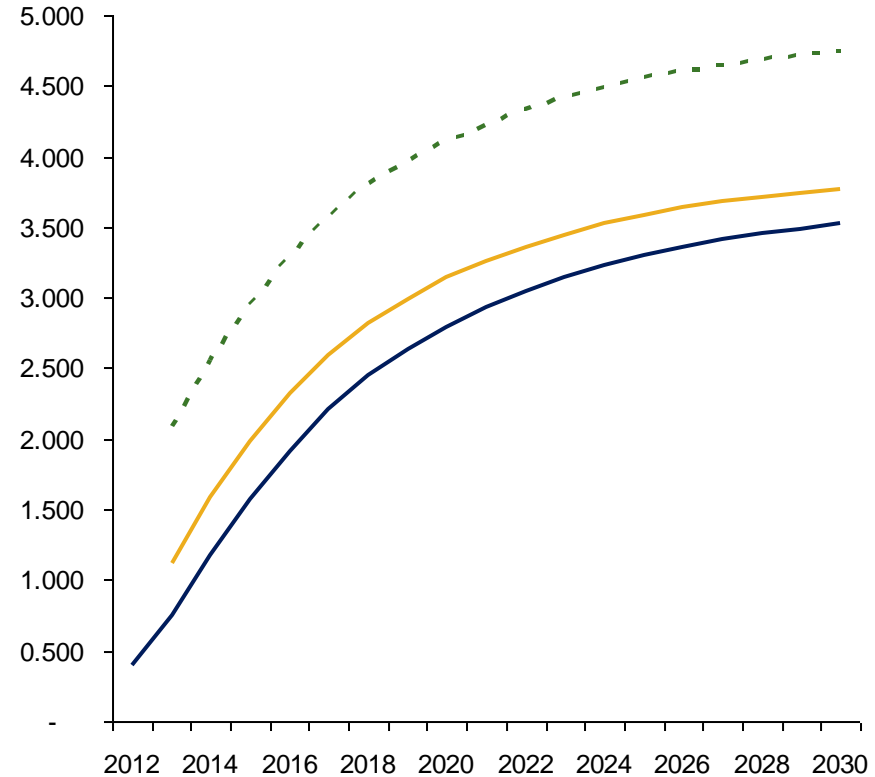
# Interest Rate Movement Required for Termination Value to Equal \$0

## Spot SIFMA Curve + 119 basis points



— Spot - - - +119 bps

## SIFMA Curve: Spot, 1-Year Forward + 97 basis point



— Spot — 1Y Forward - - - +97 bps

# Alternatives for the Woodlands Swap

Option	Upfront Payment	On-Going Annual Swap Costs	Estimated Swap Costs From February 2011 to August 2013	Total
1. Continue existing strategy	None	\$2.84 million per year { $\$75 \text{ million} \times (4.06\% - 0.27\%)$ }	\$7.1 million	\$13.7 million (which includes the \$6.6 million true up payment)
2. Assignment to third party	\$6.6 million true up payment	\$2.84 million per year { $\$75 \text{ million} \times (4.06\% - 0.27\%)$ }	\$7.1 million	\$13.7 million
3. Terminate Woodlands swap	\$11.5 million (which includes \$6.6 million true up payment)	\$0	\$0	\$11.5 million

# Recommendations

- Approve the termination of the Woodlands swap in an amount not to exceed \$5 million and authorize the Chief Executive Officer to execute a termination agreement
- Amend the OCTA Fiscal Year 2010-11 budget by \$5 million to fund the termination payment to Woodlands



# Next Steps

- If approved by Board of Directors, terminate swap with Woodlands and transfer \$11.5 million payment from 91 Express Lanes funds on March 15, 2011
  
- Continue to monitor JP Morgan swap