FRANCHISE AGREEMENT REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)
For the year ended June 30, 2004

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Capital Costs
For the Year Ended June 30, 2004

Asset Category	Beginning Balance	Additions	Dispositions	Ending Balance	Accumulated Amortization and Depreciation
Toll Facility Franchise	$204,966,797	$296,871	-	$205,263,668	$10,996,268
Leasehold improvements and equipment	5,621,745	2,554,823	-	8,176,568	1,324,578
Total	$210,588,542	$2,851,694	-	$213,440,236	$12,320,846

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Available Cash Flow - Base Return on Investment
For the Year Ended June 30, 2004

Total Revenues:	
Tolls and related customer revenues	$32,375,471
Interest on reserves	258,509
Interest on cash and investment balances	387,924
Other income	60,761
Total revenues	33,082,665
Operating costs:	
Contracted services	5,146,526
Administrative services	1,526,590
Professional services and fees	3,857,290
General and administrative	1,555,554
Insurance	420,438
Other	196,291
Total operating costs	12,702,689
Excess of total revenues over operating costs	20,379,976
Capital costs	(2,851,694)
Available cash flow, current period	17,528,282
Base return rate	17%
Present value of available cash flow at base return rate, current period	4,600,687
Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period, as restated	20,469,085
Cumulative present value of available cash flow, end of period	$25,069,772

Available cash flow, current period	$17,528,282
Change in working capital, current period	(5,659,511)
Other non-cash operating costs, current year	94,890
Available cash flow, current period, calculated on the cash basis	$11,963,661

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Available Cash Flow - Reasonable Return on Investment
For the Year Ended June 30, 2004

Peak hour vehicle count	10,031
Estimate of average vehicle occupants	1.26
Annual peak hour vehicle occupant volume	12,639
Base peak hour vehicle occupant volume	13,358
Percentage change in annual peak hour vehicle occupant volume over base peak hour occupant volume	(5.4%)
Adjustment to base return rate for incentive return on investment	0.0%
Incentive return rate	17%
Available cash flow, current period, calculated on the cash basis	$ 17,528,282
Present value of available cash flow at incentive return rate, current period	4,600,687
Cumulative present value of available cash flow retained by OCTA as reasonable return on investment (discounted at incentive return rate), beginning of period, as restated	20,469,085
Cumulative present value of available cash flow, end of period	$ 25,069,772

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Return on Investment
For the Year Ended June 30, 2004

	Base Return on Investment	Reasonable Return on Investment
Cumulative present value of available cash flow, end of period	$ 25,069,772	$ 25,069,772
Less: captial cost at end of period	(205,263,668)	(205,263,668)
Base net present value and total net present value, respectively, end of period	$ (180,193,896)	$ (180,193,896)
Cumulative present value of available cash flow retained by OCTA, beginning of period, as restated	$ 20,469,085	$ 20,469,085
Present value of available cash flow retained by OCTA, current period	4,600,687	4,600,687
Cumulative present value of available cash flow retained by OCTA, end of period	$ 25,069,772	$ 25,069,772

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Project Funds Distribution and Reconciliation of Cash Balances
For the Year Ended June 30, 2004

	Available Cash Flow	Retained by OCTA: Base Return	Retained by OCTA: Incentive Return	Paid to Caltrans: Variable Franchise Fee	Paid to Caltrans: Excess Franchise Fee	Total
Balances, beginning of period	$ 6,193,724	$ 6,193,724	$ -	$ -	$ -	$ 6,193,724
Available cash flow, current period	$ 17,528,282	$ 17,528,282	$ -	$ -	$ -	$ 17,528,282
Balances, end of period	$ 23,722,006	$ 23,722,006	$ -	$ -	$ -	$ 23,722,006

Reconciliation of cash balances:	
Cash, beginning of period	$ 11,612,393
Total revenues	33,082,665
Total operating costs	(12,702,689)
Less:	
Capital costs	(2,851,694)
Interest expense during operations	(12,478,504)
Refunding of taxable debt	(135,000,000)
Cost of issuance on Toll Road Revenue Refunding Bonds	(3,854,896)
Payment of long-term debt	(28,528,188)
Amortized premium on Toll Road Revenue Refunding Bonds	(168,361)
Increase in bond reserves due to refinancing of taxable debt	(11,940,581)
Add:	
Proceeds from issuance of debt	175,676,464
Deferred interest on subordinated debt due to other OCTA funds	2,866,051
Amortized yield maintenance premium on refunding of taxable debt	711,871
Amortized cost of issuance on Toll Road Revenue Refunding Bonds	94,890
Adjustment to purchase price of Toll Facility Franchise	296,871
Other changes in assets and liabilities	(2,918,988)
Cash, end of period	$ 13,897,304

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Reserve Balances
For the Year Ended June 30, 2004

	Beginning Balance	Additions	Reductions	Ending Balance	Interest Earned
Capital maintenance	$ 2,013,105	$ 5,407	$ (2,018,512)	$ -	$ 5,407
Debt service coverage	6,038,882	16,419	(6,055,301)	-	16,419
SR 91 bond reserve	-	12,803,884	(169,078)	12,634,806	169,091
SR 91 supplemental reserve	-	6,067,763	-	6,067,763	67,763
SR 91 major maintenance reserve	-	600,000	-	600,000	-
SR 91 operating reserve	-	690,000	-	690,000	-
Total	$ 8,051,987	$ 20,183,472	$ (8,242,891)	$ 19,992,568	$ 258,680

See accompanying notes to the franchise agreement schedules.

1. Basis of Presentation

The accompanying schedules have been prepared in accordance with Section 3.6(b) of the Franchise Agreement between the California Private Transportation Company, L.P. (CPTC) and the State of California Department of Transportation (Caltrans). On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in the Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between Interstate 15 and the Costa Mesa Freeway/SR 55.

These schedules are not intended to be a presentation in conformity with accounting principles generally accepted in the United States; however, certain financial information has been derived from the audited financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority which accounts for the toll facility operations. The accompanying schedules have been prepared using the accrual basis of accounting, except for interest expense and depreciation and amortization expense which are not included in operating costs, and have been reconciled to the cash basis of accounting where appropriate.

Available Cash Flow

Available Cash Flow, as defined by the Franchise Agreement, is revenue less operating costs and capital costs, as defined. A reconciliation of Available Cash Flow, calculated using the accrual basis of accounting, to Available Cash Flow, calculated using the cash basis of accounting, has been presented in accordance with the Franchise Agreement. Available Cash Flow may be retained by OCTA, as successor interest to CPTC, until such time as the Base Net Present Value, as defined, is zero or greater, after which OCTA must pay a portion of these excess amounts to Caltrans as franchise fees.

Base Return Rate

The Base Return Rate, as defined by the Franchise Agreement, is 17% adjusted annually by 20% of the increase in the average yield of five-year United States Treasury securities between December 1995 (acceptance date of the toll facility) and the end of each fiscal year following the acceptance date, if applicable. No adjustment was made to the Base Return Rate for the year ended June 30, 2004.

Incentive Return Rate

As defined by the Franchise Agreement, Incentive Return Rate represents the Base Return Rate plus an increase, if Annual Peak Hour Vehicle Occupant Volume for the current period exceeds the Base Peak Hour Vehicle Occupant Volume, which represents the average levels experienced during the first two years of operations (1996 and 1997) of 13,358. The Annual Peak Hour Vehicle Occupant Volume for the current period is less than the Base Peak Hour Vehicle Occupant Volume, primarily due to the introduction in 1998 of discounted tolls on carpools of three or more occupants. As a result, the Incentive Return Rate equals the Base Return Rate.

Annual Peak Hour Vehicle Occupant Volume is the product of multiplying the Peak Hour Vehicle Count and the Estimate of Average Vehicle Occupants. The Peak Hour Vehicle Count is defined as the total number of vehicles passing through the toll facility during the 50th busiest hour of the period, and the Estimate of Average Vehicle Occupants is the average number of persons per vehicle. The Peak Hour Vehicle Count is determined by both OCTA, as calculated by its contracted operator. The Estimate of Average Vehicle Occupants is calculated by OCTA's contracted operator.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CAPITAL COSTS

Capital costs, as defined by the Franchise Agreement, includes costs related to the acquisition of the toll facility. Leasehold improvements and equipment include the costs to construct the electronic toll and traffic management system (ETTM) replacement, which identifies and reports traffic statistics generated from customer travel through the toll facility, and the costs to acquire transponders, which are electronic tags issued to customers for individual toll tracking by the ETTM.

Capital costs at acquisition represents OCTA's purchase price of $207,500,000 for the toll facility interest, adjusted for certain assets acquired and the assumption of certain liabilities at the acquisition date.

3. RESERVES

Section 9.7 of the Franchise Agreement allows for the establishment of limited cash reserves for major maintenance, debt service, capital improvements and working capital needs. On January 3, 2003 (inception), OCTA acquired certain restricted investments set aside for capital maintenance and debt service coverage in accordance with certain debt indenture requirements. On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003A, Series 2003 B-1 and Series 2003 B-2 to refinance the $135,000,000 million taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003 B-1 Bonds and the Series 2003 B-2 Bonds were issued as adjustable rate bonds.

Four reserve funds were created per the Revenue Refunding Bonds indenture agreement, which includes the Reserve Fund, Supplemental Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund. The Reserve Fund must maintain a minimum amount equal to the lessor of 10% of the principal amount of any Series of Bonds determined as of the date of initial issuance of such Series of Bonds, or 125% of average annual debt service, or the maximum annual debt service. The Supplemental Reserve Fund must maintain a balance of $6,000,000, which may be released to OCTA if OCTA maintains minimum debt service coverage ratios for two consecutive years. The Major Maintenance Reserve Fund is required to receive $100,000 per month ($200,000 starting January 2007) to be used for the payment of capital expenditures only. This commences December 2009, or until the Fund acquires a balance of $10,000,000. The Operating Reserve Fund is required to receive $115,000 per month to be used for the payment of current operating expenses only. This commences December 2006, or until the Fund acquires a balance of $2,750,000. Such reserve amounts have not been deducted from operating costs in the calculation of Available Cash Flow for purposes of determining Base and Reasonable Returns on Investment.

Detailed information on debt and reserves may be found in OCTA's comprehensive annual financial report, which may be obtained from its executive office: 550 South Main Street, Orange, CA 92863.

4. Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility (Cofiroute) to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. Cofiroute is responsible for the day-to-day operations of the toll facility.

5. Amounts Paid to Governmental Entities

For the year ended June 30, 2004, OCTA paid $376,878 to the California Highway Patrol for police services and $86,553 to Caltrans for repairs and other road maintenance costs.

6. Correction of an Error

Due to a subsequent legal interpretation of the Franchise Agreement, an understatement of the cumulative present value of available cash flow previously reported at June 30, 2003, was identified by OCTA management during the current year. Accordingly, a corresponding adjustment has been made to the beginning cumulative present value of available cash flow as of July 1, 2003, as noted in the table below:

Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period	$ 1,901,908
Adjustment	18,567,177
Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period as restated	$ 20,469,085