FRANCHISE AGREEMENT REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)
For the fiscal year ended June 30, 2005

MACIAS GINI & COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying special-purpose Franchise Agreement schedules of the Orange County Transportation Authority 91 Express Lanes Fund (91 Express Lanes Fund), an enterprise fund of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2005, as listed in the table of contents. These special-purpose financial schedules are the responsibility of the 91 Express Lanes Fund's management. Our responsibility is to express an opinion on the financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the special-purpose financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial schedules. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying special-purpose Franchise Agreement schedules were prepared for the purpose of complying with Section 3.6(b) of the Amended and Restated Development Franchise Agreement for State Route 91 Median Improvements dated June 30, 1993 and amended December 20, 2002, between the Authority and the State of California Department of Transportation (Caltrans), and are not intended to present the 91 Express Lanes Fund's financial position as of June 30, 2005, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special-purpose Franchise Agreement schedules referred to above, as of June 30, 2005 and for the year then ended, are fairly presented, in all material respects, in conformity with the basis of accounting described in Note 1.

As discussed in Note 6 to the special-purpose Franchise Agreement schedules, due to a subsequent legal interpretation of the Franchise Agreement, an overstatement of cumulative present value of available cash flow previously reported at June 30, 2004, was discovered by Authority management during the current year. Accordingly, an adjustment has been made to the beginning cumulative present value of available cash flow as of July 1, 2004.

This report is intended solely for the information and use of the Board of Directors, Authority management, and Caltrans, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Franchise Agreement Report

For the year fiscal ended June 30, 2005

Contents

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, 2005

Asset Category	Beginning Balance	Additions	Dispositions	Ending Balance	Accumulated Amortization and Depreciation
Toll Facility Franchise	$ 205,263,668	-	-	$ 205,263,668	$ (18,327,113)
Leasehold improvements and equipment	8,176,568	1,626,391	- 249,231	9,553,728	(3,004,651)
Total	$ 213,440,236	$1,626,391	$ 249,231	$ 214,817,396	$ (21,331,764)

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, 2005

Total Revenues:		
Tolls and related customer revenues	$	39,583,597
Interest on reserves		968,818
Interest on cash and investment balances		437,648
Other income		148,630
Total revenues		41,138,693
Operating costs:		
Contracted services		5,336,764
Administrative services		1,675,340
Professional services and fees		4,776,854
General and administrative		1,043,637
Insurance		305,338
Other		1,367,473
Net operating reserve contribution		2,628,641
Total operating costs		17,134,047
Excess of total revenues over operating costs		24,004,646
Capital costs:		
Captial acquisition costs		1,626,391
Net captial reserve contribution/(distribution)		275,101
Total capital costs		1,901,492
Available cash flow, current period		22,103,154
Base return rate		17%
Present value of available cash flow at base return rate, current period		4,958,516
Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period, as restated		21,935,701
Cumulative present value of available cash flow, end of period	$	26,894,217
Available cash flow, current period	$	22,103,154
Change in working capital, current period		700,882
Other non-cash operating costs, current year		142,335
Available cash flow, current period, calculated on the cash basis	$	22,946,371

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, 2005

Peak hour vehicle count		9,970
Estimate of average vehicle occupants		1.27
Annual peak hour vehicle occupant volume		12,662
Base peak hour vehicle occupant volume		13,358
Percentage change in annual peak hour vehicle occupant volume over base peak hour occupant volume		(5.2%)
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	$	22,103,154
Present value of available cash flow at incentive return rate, current period		4,958,516
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		21,935,701
Cumulative present value of available cash flow, end of period	$	26,894,217

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, 2005

	Base Return on Investment	Reasonable Return on Investment
Cumulative present value of available cash flow, end of period	$ 26,894,217	$ 26,894,217
Less: captial cost at end of period	(214,817,396)	(214,817,396)
Base net present value and total net present value, respectively, end of period	$ (187,923,179)	$ (187,923,179)
Cumulative present value of available cash flow retained by OCTA, beginning of period, as restated	$ 21,935,701	$ 21,935,701
Present value of available cash flow retained by OCTA, current period	4,958,516	4,958,516
Cumulative present value of available cash flow retained by OCTA, end of period	$ 26,894,217	$ 26,894,217

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, 2005

		Retained by OCTA		Paid to Caltrans		
	Available Cash Flow	Base Return	Incentive Return	Variable Franchise Fee	Excess Franchise Fee	Total
Balances, beginning of period	$ 21,935,701	$ 21,935,701	$ -	$ -	$ -	$ 21,935,701
Available cash flow, current period	$ 4,958,516	$ 4,958,516	$ -	$ -	$ -	$ 4,958,516
Balances, end of period	$ 26,894,217	$ 26,894,217	$ -	$ -	$ -	$ 26,894,217

Reconciliation of cash balances:	
Cash, beginning of period	$ 13,897,304
Total revenues	41,138,693
Total operating costs	(17,134,047)
Less:	
Capital costs	(1,626,391)
Interest expense during operations	(10,272,639)
Payment of long-term debt	(3,635,000)
Amortized premium on Toll Road Revenue Refunding Bonds	(252,541)
Increase in capital reserves	(275,101)
Add:	
Deferred interest on subordinated debt due to other OCTA funds	1,196,179
Amortized deferred amount on refunding of taxable debt	1,067,805
Amortized cost of issuance on Toll Road Revenue Refunding Bonds	142,335
Other changes in assets and liabilities	880,302
Cash, end of period	$ 25,126,899

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, 2005

Description:	Beginning Balance	Additions	Reductions	Ending Balance	Interest Earned
Operating:					
SR 91 major maintenance reserve	$ 600,000	$ 1,222,970	$ (300)	$ 1,822,670	$ 22,970
SR 91 operating reserve	690,000	1,406,271	(300)	2,095,971	26,271
Capital:					
SR 91 bond reserve	12,634,806	643,955	(643,949)	12,634,812	643,955
SR 91 supplemental reserve	6,067,763	275,095	-	6,342,858	275,095
Total	$ 19,992,569	$ 3,548,291	$ (644,549)	$ 22,896,311	$ 968,291

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, 2005.

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 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, 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 2003 A, 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 Bond Reserve Fund, Supplemental Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund. The Bond 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 commencing January 2007 through December 2009 or until the Fund acquires a balance of $10,000,000, to be used for the payment of capital expenditures only.

The Operating Reserve Fund is required to receive $115,000 per month, commencing January 2004 through December 2006 or until the Fund acquires a balance of $2,750,000, to be used for the payment of current operating expenses only. Such reserve amounts have 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. On February 23, 2005, OCTA issued a Request for Proposal for the operation and management of the 91 Express Lanes. The contract is anticipated to be awarded October 2005.

5. AMOUNTS PAID TO GOVERNMENTAL ENTITIES

For the year ended June 30, 2005, OCTA paid $400,066 to the California Highway Patrol for police services and $196,197 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 overstatement of the cumulative present value of available cash flow previously reported at June 30, 2004, was identified by OCTA management during the current year. OCTA has concluded that the Operating Costs and Capital Costs, as defined by the Franchise Agreement, did not include the net contributions/distributions to the reserve funds. Including these operating costs would have resulted in an available cash flow as of June 30, 2004 of $5,587,700. Accordingly, a corresponding adjustment has been made to the beginning cumulative present value of available cash flow as of June 30, 2004, as noted below:

Present value of available cash flow at base return rate, June 30, 2004:	$ 1,466,616
Cumulative present value of available cash flow retained by OCTA as base return on investment, July 1, 2003:	20,469,085
Cumulative present value of available cash flow retained by OCTA as base return on investment, June 30, 2004:	$ 21,935,701