



September 8, 2015

**Notice to Holders of
Santa Rosa Bay Bridge Authority (Florida) Revenue Bonds,
Series 1996 (the "Bonds")**

**CUSIP Numbers*: 802576AB4, 802576AG3, 802576AM0, 802576AS7
802576AC2, 802576AH1, 802576AN8, 802576AT5
802576AD0, 802576AJ7, 802576AP3, 802576AU2
802576AE8, 802576AK4, 802576AQ1, 802576AA6
802576AF5, 802576AL2, 802576AR9**

The Bank of New York Mellon acts as trustee (the "Trustee") for the holders of the above-captioned Bonds ("Bondholders") pursuant to that certain Amended and Restated Bond Resolution No. 96-1 adopted on January 10, 1996, by the Santa Rosa Bay Bridge Authority (the "Authority"), as amended by the following: (i) Series Resolution No. 96-2 adopted on January 10, 1996; (ii) Series Resolution No. 96-3 adopted on January 24, 1996; (iii) Series Resolution No. 96-4B adopted on March 20, 1996; (iv) Series Resolution No. 96-31 adopted on May 16, 1996; and (v) Series Resolution No. 96-33 adopted on October 21, 1996 (as so amended, the "Resolution"). Capitalized terms not defined herein shall have the meanings assigned thereto in the Resolution.

Simultaneously with the issuance of the Bonds, the Authority and the Florida Department of Transportation ("FDOT") entered into a Lease-Purchase Agreement in connection with the operation and maintenance of the Bridge (the "LPA"). In the LPA, the Authority granted to FDOT exclusive possession and use of the Santa Rosa Bay Bridge, and, in return, FDOT agreed to operate and maintain the Bridge, and collect and remit to the Trustee all Tolls derived from the Bridge's operation. FDOT also agreed to pay the cost of operating, maintaining, repairing and insuring the Bridge.

Past Defaults. As set forth in prior event notices to Bondholders, various Events of Default by the Authority currently exist under the Resolution stemming from, among other things, insufficient Gross Revenues received by the Trustee to (i) pay required debt service on the Bonds, or (ii) keep the funds and accounts established under the Resolution at their required levels. Beginning in January 2011, revenue shortfalls required the Trustee to draw on the Reserve Account to make payments of debt service on the Bonds. Under the Resolution, the

* CUSIP numbers are included solely for the convenience of Bondholders. The Trustee shall have no responsibility with respect to the selection or use of any CUSIP number, nor is any representation made as to the correctness of any CUSIP number, either as printed on any Bond or in this Notice.



Authority was required to replenish the Reserve Account to 100% of its Deposit Requirement for then-current fiscal year, which it failed to do.

These defaults continued, and in 2012 the amounts on deposit in the Reserve Account became insufficient to pay the debt service on the Bonds. As a result, on January 1, 2013, the Trustee, pursuant to the Resolution, accelerated the Bonds and declared the Bonds to be due and payable immediately.

Trustee Has Continued to Make Partial Disbursements to Bondholders.

Acceleration of the Bonds allowed the Trustee to assert the Accreted Value of all unmatured Capital Appreciation Bonds as immediately due and payable along with the principal and interest on the Current Interest Bonds, allowing revenues under the ongoing defaults to be distributed to holders of both Current Interest Bonds and Capital Appreciation Bonds. Although revenues have been insufficient to fully pay scheduled debt service on the Bonds, in accordance with prior Bondholder notices, the Trustee has continued to disburse certain revenues on hand to Bondholders each January and July.

Events of Default Remain Uncured. As noted above and in prior event notices to Bondholders, Events of Default, inclusive of payment defaults, exist and remain uncured under the Resolution. Pursuant to Section 9.04 of the Resolution, upon the happening and continuance of any Event of Default which has not been cured, the Trustee, on behalf of the Bondholders of the Bonds, may, but shall not be obligated to, and shall, if directed by the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding exercise all rights granted to Bondholders provided that the Bondholders offer the Trustee reasonable security and indemnity against the cost, expenses and liabilities, including attorney's fees and expenses, that may be incurred in connection therewith.

Traffic Studies. The Trustee has actively sought a resolution of the Authority's default with both the Authority and FDOT. In 2013, the Trustee's financial advisor, FTI Consulting, Inc. ("FTI"), and FDOT agreed, verbally, to engage a Traffic Consultant to perform a traffic rate study so long as the Authority split the cost with FDOT. On June 13, 2013, the Trustee formally requested that the Authority authorize the engagement of a Traffic Consultant, and to work with FDOT in its engagement and selection. However, in January 2014, FDOT reversed course by refusing to pay one-half of the Traffic Consultant's study, or share its data with FTI.

On June 9, 2014, the Trustee again formally requested that the Authority engage a traffic consultant to comply with the Resolution. On June 19, 2014, the Authority agreed to issue a request for proposals for Traffic Consultants; however, no such proposal was ever issued by the Authority.

The Trustee engaged FTI to prepare a traffic study using publicly available information and on May 12, 2014, FTI issued its official rate study entitled "Impact of Toll Rates on Garcon Point Bridge Toll Transactions and Revenues," (the "FTI Report"), setting forth a recommended schedule of Toll rates, as contemplated by the Resolution and LPA. In its report, FTI



recommended (a) an increase in the SunPass transaction rate from \$3.75 to \$4.00, (b) an increase in the cash transaction rate from \$3.75 to \$5.00, and (3) a reduction in the SunPass discount for heavy users from 50% to 25%.

Trustee's Attempts to Increase Tolls. The Trustee, its counsel, and FTI in consultation with the group of Bondholders and subrogated Bond Insurers who have signed confidentiality agreements and therefore voluntarily restricted their ability to trade in the Bonds (the "Steering Committee"), have been attempting to cause the Authority and FDOT to increase the Tolls that are the primary source of payment for the Bonds. These increases are mandated by the Resolution, including Section 5.02 thereof wherein the Authority is required to set Tolls in amounts sufficient to pay debt service on the Bonds, and the LPA wherein it is provided that if the Authority does not set Tolls in accordance with the Resolution then FDOT shall establish and collect Tolls in accordance with the Resolution.

On November 6, 2014, the Trustee formally demanded that the Authority implement the Toll schedule recommended in the FTI Report within thirty (30) days. FDOT was copied on the demand. Subsequently, the Authority's remaining appointed board members resigned.

On November 12, 2014 and again on February 26, 2015, representatives of Trustee's counsel and FTI met with State Representative Doug Broxson (Santa Rosa) to discuss potential resolutions to the situation; neither of which meetings were successful.

On March 16, 2015, the Trustee provided written notification to FDOT of the Authority's noncompliance with Section 5.02 of the Resolution, and demanded that FDOT immediately implement the Toll schedule recommended in the FTI Report. On May 8, 2015, FDOT's general counsel sent a response letter that posed numerous questions to the Trustee without providing any indication that FDOT would comply with the LPA should it receive satisfactory answers. FDOT also requested additional items that the Trustee will not be able to provide, such as indemnification by the Trustee of FDOT from individual Bondholders' claims that, following the requested adjustment to Tolls, revenues either decline or remain insufficient to timely pay debt service on the Bonds and to fully meet all other requirements of the Resolution.

On May 12, 2015, Trustee's counsel responded to the questions raised by FDOT, reiterating that FDOT is contractually required pursuant to the LPA to raise the Tolls, and requesting that FDOT reconsider its position and raise the rates in accordance with the FTI Report.

Following such exchange, representatives of Trustee's counsel and FTI have had multiple meetings and conversations with representatives of FDOT regarding potential courses of action, including, among other things, restructuring the Bonds. However, it appears that FDOT will not increase the Toll rates in accordance with its obligations under the LPA.

Trustee Courses of Action. The Trustee has been deliberating potential courses of action, including, but not limited to, filing suit against FDOT to enforce FDOT's obligations



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under the LPA. Pursuant to Section 9.04 of the Resolution, the Trustee will file suit against FDOT provided it receives direction and satisfactory indemnity against the costs, expenses and liabilities, including attorneys' fees and expenses, that may be incurred in connection therewith from Bondholders of not less than a majority in aggregate principal amount of the Bonds Outstanding. However, absent such direction and indemnity, the Trustee is unwilling to file suit against FDOT at the present time given, among other things, the costs of such litigation and the potential damage to Bondholders who are satisfied with the partial debt service payments currently being disbursed to Bondholders.

Bondholders, of course, have the right to contact FDOT directly to express their respective opinions regarding FDOT's failure to raise tolls: Florida Department of Transportation, 605 Suwannee Street, Tallahassee, Florida 32399-0450, Attention: Secretary Jim Boxold; Toll-Free: 866-374-FDOT (3368).

Bondholder Contact with Trustee. Bondholders are encouraged to contact the Trustee with questions concerning this notice by writing to The Bank of New York Mellon, 101 Barclay Street, 21 West, New York, New York 10286, Attention: Mr. Alex Chang, by e-mail at alex.chang@bnymellon.com, and/or by calling the telephone number (212) 815-2816.

The above-referenced CUSIP Numbers are provided only as a convenience to the Bondholders and no representation is made as to the correctness of the CUSIP Numbers as printed on the Bonds or as contained in this Notice, and reliance may be placed only on the description of the Bonds contained herein.

THE BANK OF NEW YORK MELLON,
as Trustee