

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF SIGNIFICANT EVENT  
(RATING CHANGE)**

NAME OF ISSUER: SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY  
NAME OF ISSUE: 1997 Toll Road Refunding Revenue Bonds ("1997 Senior Lien Bonds")  
DATE OF ISSUANCE: October 21, 1997  
BASE CUSIP NO.: 798111

**NOTICE IS HEREBY GIVEN** pursuant to Section 5 of the Issuer's Continuing Disclosure Certificate that Standard and Poor's Global Ratings has downgraded the rating of the 1997 Senior Lien Bonds' municipal bond insurer, National Public Finance Guarantee Corporation to A from AA- with a stable outlook.

By:   
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Amy Potter  
Chief Financial Officer

Dated: 6/28/17

SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY

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## Research Update:

# National, MBIA Inc. Downgraded; BAM, Assured, MBIA Corp. Affirmed; All Outlooks Stable

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## Research Update:

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## Overview

- We completed our periodic review of the bond insurers.
- We are lowering our ratings on National and MBIA Inc. and affirming our ratings on BAM, Assured, and MBIA Corp.
- The outlooks for National, MBIA Inc., BAM, Assured, and MBIA Corp. are stable.
- AG London remains on CreditWatch Positive.

## Rating Action

On June 26, 2017, S&P Global Ratings lowered its financial strength rating on National Public Finance Guarantee Corp. (National) to 'A' from 'AA-' and its long-term counterparty credit rating on MBIA Inc. to 'BBB' from 'A-'. We also removed our ratings on these issuers from CreditWatch Negative where we initially placed them June 6, 2017. The outlooks are stable.

We affirmed our 'AA' financial strength rating on Build America Mutual Assurance Co. (BAM) and removed it from CreditWatch Negative where we placed it June 6, 2017. The outlook is stable.

We affirmed our 'A' long-term counterparty credit rating on Assured Guaranty Ltd. (AGL) and our 'AA' financial strength ratings on its bond insurance subsidiaries (collectively Assured). The outlooks are stable.

We affirmed our 'CCC' financial strength rating on MBIA Insurance Corp. (MBIA Corp) and revised the outlook to stable from negative. We are also withdrawing our 'D' rating on MBIA Corp.'s surplus notes and preferred stock.

Our 'BB' financial strength rating on Assured Guaranty (London) LTD. (AG London) remains on CreditWatch with positive implications.

## Rationale

The rating actions on National and MBIA Inc. are based on our view that National's business risk profile is weaker than its peers', as National has struggled to gain wide market acceptance. Its risk-adjusted pricing (RAP) ratio, although improving, has been the lowest in the industry and was 2.67% for the first five months of 2017, as compared to Assured's and BAM's of 4.93% and 4.38%, respectively. Although the low RAP can be attributed partially to trading differential, the very low volume of the par written is an additional

indication of National's limited market penetration and acceptance. We do not expect meaningful improvement in volume and market share or the company's business risk profile.

With regard to National's financial risk profile, the company's capital adequacy is very strong, with a capital adequacy ratio in excess of 1.0x. However, National has a Largest Obligor Test (LOT) violation that limits our view of capital adequacy. Notwithstanding the LOT violation, we expect National's capital position to remain supportive of the rating. Our rating on MBIA reflects its structural subordination to National.

The rating actions on BAM are based on our view that, although the company continues to trail Assured in business volume and pricing, it has gained strong market acceptance. Through the first five months of 2017, the company's share of insured U.S. public finance par was approximately 42% and its RAP was 4.39%. Based on the company's underwriting strategy, we do not expect a material change in its market share, nor do we expect a significant change in the risk profile of its insured portfolio. BAM has made operational changes that we expect to improve the long-term profitability of the company and help bolster its capital position. As a mutual company, however, BAM's RAP and profitability may always trail Assured's because its members seek a stable, low-cost source of insurance, and the driver of its capital growth is its members' surplus contributions.

BAM's capital adequacy is very strong with a capital adequacy ratio in excess of 1.0x. However, this is the first year the company incurred a LOT violation, which may create volatility in its capital position and limits our view of its capital adequacy, which could weigh on our future ratings.

The affirmation of our rating on Assured reflects our view of its strong competitive position built on a proven track record of credit discipline and market leadership in terms of par insured, premiums written, and risk-based pricing. For the first five months of 2017, the company reported a U.S. public finance RAP of 4.93%, and a RAP of 6.32% when we include the international public finance business.

Although much of Assured's business has been in the U.S. public finance market, it has the most diverse underwriting strategy of any bond insurer, also conducting business in the global structured finance and international public finance markets. Although some segments of these other markets have been risky in the past, we believe management's current approach to writing business in them is well thought-out and measured. We therefore believe this strategy provides flexibility to capitalize on growth trends and pricing opportunities in one sector while other sectors experience less-favorable trends, which we feel provides some competitive advantage versus its peers. Additionally, and importantly, we do not believe Assured's presence in these other markets will become a significant part of its overall business.

Assured's capital adequacy is very strong with a capital adequacy ratio in excess of 1.0x. However, Assured has a LOT violation that limits our view of

capital adequacy and could weigh on the rating. In addition, the company's exposure to issuers in Puerto Rico may pressure its capital position as losses begin to materialize. Our rating on AGL reflects its structural subordination to Assured.

The rating action on MBIA Corp. is based on our view that the company's liquidity position has somewhat improved; however, its liquidity remains weak and is subject to risks from payment timing on credit-default swap contracts and residential mortgage-backed securities excess spread recoveries. In our view, MBIA Corp.'s capital position is very weak, and we score its capital adequacy as less vulnerable. Given the size of MBIA Corp.'s insured portfolio versus its capital base and the limited opportunities to improve its capital position, we do not expect to see any improvement in its capital adequacy. The company is in run-off, and we view it as nonstrategically important to MBIA Inc.

With regard to AG London, the company was purchased from MBIA Insurance Corp in Jan. 2017 and there are no reinsurance or support agreements between AG London and any AGL subsidiary. AG London will remain in run off and we view it as nonstrategically important to Assured. Assured management is working to combine AG London with its other affiliated European insurance companies, at which time the insured obligations of AG London will become the obligations of the entity surviving the business combination. Any such combination will be subject to regulatory and court approvals.

## Outlook

The outlook on National is stable, reflecting the strength of the company's capital position and the deleveraging that is occurring as the run-off of insured exposure is greater than the amount of new business being written.

The stable outlook on BAM reflects our view that its competitive position will remain strong, and we believe market demand for BAM's credit enhancement and risk-return requirements will help maintain an acceptable RAP. We also expect the company's operating performance to improve and become less of a drag on capital growth. The maintenance of capital adequacy at the current level is essential for rating stability.

The stable outlook on Assured reflects our view of the company's strong competitive profile and very strong capital adequacy, as well as its leadership position in the U.S. public finance market. The outlook also considers Assured's measured approach to insure international infrastructure and global structured finance transactions to capitalize on positive market trends in those markets. We also do not expect the non-U.S. public finance business to alter the overall risk profile of the insured portfolio. The maintenance of a capital adequacy ratio of more than 1.0x is essential for rating stability.

The stable outlook on MBIA Corp. reflects our view that the company's capital

and liquidity are adequate to meet claim payments through 2017. Given the risk of the remaining insured portfolio relative to MBIA Corp.'s capital base and limited opportunity to improve its capital position, we expect capital to remain under stress. If MBIA's capital stabilizes as a result of lower potential adverse loss development, we would view this as positive to the rating. If the company exhibits increased losses and diminished liquidity, so that the time to a possible breach of minimum regulatory levels shortens to less than two years, we could lower the rating.

## CreditWatch

The CreditWatch Positive on AG London is based on our expectation that the company will be folded into one of Assured's affiliated European insurance companies and the insured obligations of AG London will become obligations of Assured and carry the same rating as Assured. We would maintain the rating on AG London if the company were not combined with one of Assured's affiliated European insurance companies or there were no reinsurance or support agreements that benefit AG London.

## Related Criteria

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Criteria - Insurance - Bond: Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

## Ratings List

### Ratings Affirmed

#### Assured Guaranty (London) LTD.

Financial Strength Rating

Local Currency

BB/Watch Pos/--

Financial Enhancement Rating

Local Currency

BB/Watch Pos/--

#### Assured Guaranty Ltd.

#### Assured Guaranty US Holdings Inc

Counterparty Credit Rating

A/Stable/--

Assured Guaranty (Europe) Ltd.  
 Municipal Assurance Corp.  
 Assured Guaranty Re Overseas Ltd.  
 Assured Guaranty Re Ltd.  
 Assured Guaranty Municipal Corp.  
 Assured Guaranty Corp  
 Counterparty Credit Rating  
 Local Currency AA/Stable/--

Assured Guaranty (Europe) Ltd.  
 Municipal Assurance Corp.  
 Assured Guaranty Re Overseas Ltd.  
 Assured Guaranty Re Ltd.  
 Assured Guaranty Municipal Corp.  
 Assured Guaranty Corp  
 Assured Guaranty (UK) Ltd.  
 Financial Strength Rating  
 Local Currency AA/Stable/--  
 Financial Enhancement Rating  
 Local Currency AA/Stable/--

Assured Guaranty (UK) Ltd.  
 Counterparty Credit Rating AA/Stable/--

Assured Guaranty Municipal Holdings Inc.  
 Counterparty Credit Rating  
 Local Currency A/Stable/--

Assured Guaranty Municipal Holdings Inc.  
 Senior Unsecured A  
 Junior Subordinated BBB+

Assured Guaranty US Holdings Inc  
 Senior Unsecured A  
 Junior Subordinated BBB+

Sutton Capital Trust I  
 Sutton Capital Trust II  
 Sutton Capital Trust III  
 Sutton Capital Trust IV  
 Woodbourne Capital Trust I  
 Woodbourne Capital Trust II  
 Woodbourne Capital Trust III  
 Woodbourne Capital Trust IV  
 Preferred Stock A+

Ratings Affirmed; CreditWatch/Outlook Action  
 To From  
 Build America Mutual Assurance Company

Research Update: National, MBIA Inc. Downgraded; BAM, Assured, MBIA Corp. Affirmed; All Outlooks Stable

Counterparty Credit Rating		
Local Currency	AA/Stable/--	AA/Watch Neg/--
Financial Enhancement Rating		
Local Currency	AA/Stable/--	AA/Watch Neg/--
Financial Strength Rating		
Local Currency	AA/Stable/--	AA/Watch Neg/--
Downgraded; CreditWatch/Outlook Action		
	To	From
MBIA Inc.		
Counterparty Credit Rating	BBB/Stable/--	A-/Watch Neg/--
National Public Finance Guarantee Corp.		
Municipal Bond Insurance Assn.		
Counterparty Credit Rating		
Local Currency	A/Stable/--	AA-/Watch Neg/--
Financial Strength Rating		
Local Currency	A/Stable/--	AA-/Watch Neg/--
National Public Finance Guarantee Corp.		
Financial Enhancement Rating		
Local Currency	A/Stable/--	AA-/Watch Neg/--
MBIA Inc.		
Senior Unsecured	BBB	A-/Watch Neg
Not Rated Action		
	To	From
MBIA Insurance Corp.		
Subordinated	NR	D
Preferred Stock	NR	D
Ratings Affirmed		
MBIA Global Funding LLC		
Senior Secured	CCC	
Senior Unsecured	CCC	
Ratings Affirmed; CreditWatch/Outlook Action		
	To	From
MBIA Insurance Corp.		
Counterparty Credit Rating		
Local Currency	CCC/Stable/--	CCC/Negative/--
Financial Enhancement Rating		
Local Currency	CCC/Stable/--	CCC/Negative/--
Financial Strength Rating		
Local Currency	CCC/Stable/--	CCC/Negative/--



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