

POLICY	DEBT POLICY	Resolution Number	18-09
		Resolution Date	2/14/18
		Effective Date	2/14/18
		Revision Date	2/14/18
		Procedure Number	N/A

<p>I. POLICY PURPOSE</p>	<p>(A) The purpose of this debt policy (“Debt Policy”) is to establish guidelines for the utilization and financial management of the North Texas Tollway Authority (“NTTA”) debt. The Debt Policy provides guidance for any debt issued by NTTA. Compliance with the Debt Policy will facilitate compliance with any:</p> <ul style="list-style-type: none"> (1) covenants in trust agreements credit agreements and other bond documents, (2) existing bond insurance policies and (3) applicable state and federal laws.
<p>II. PURPOSES OF DEBT ISSUANCE</p>	<p>(A) NTTA may issue debt to fund the following:</p> <ul style="list-style-type: none"> (1) Major capital improvements. (2) Merger and/or acquisition of selected projects. (3) Repairs to existing facilities. (4) Equity contributions or grants for projects that enhance regional mobility. (5) Refunding of existing debt for: <ul style="list-style-type: none"> (a) economic savings and/or (b) restructuring. (6) Funding termination payments related to derivative products.

	<p>(7) Capitalized interest, debt service reserve fund requirements, or initial operating reserve requirements.</p> <p>(8) Costs of issuance of debt.</p> <p>(B) NTTA will not issue debt to fund routine operations or maintenance or for the sole or exclusive purpose of investing the proceeds.</p>
<p>III. TYPES OF DEBT</p>	<p>(A) NTTA may issue the following types of debt:</p> <p>(1) Fixed Rate Debt.</p> <p>(a) NTTA may issue debt with interest rates that are fixed for the term of the debt.</p> <p>(b) Fixed rate debt may be issued as long-term or short-term debt.</p> <p>(2) Variable Rate Debt.</p> <p>(a) NTTA may issue debt with interest rates that vary during the term of the debt.</p> <p>(b) Variable rate debt includes short-term debt instruments that mature in less than 270 days and bear a fixed rate of interest.</p> <p>(c) Total variable rate debt exposure may not exceed 20% of NTTA's outstanding debt portfolio.</p> <p>(d) Variable rate debt may be issued on either an interim or permanent basis.</p> <p>(3) Bond Anticipation Notes.</p> <p>(a) Bond anticipation notes with specific maturity dates may be used for interim financing purposes and taken out with permanent long-term financing.</p>

	<p>(4) Grant Anticipation Notes.</p> <p>(a) Grant anticipation notes with specific maturity dates may be issued for interim financing purposes and repaid with receipt of Grant funds.</p> <p>(B) Debt may be issued on either a senior or subordinated lien basis and secured by revenues as specified in the Trust Agreement, Supplemental Agreement or any other legal agreements as authorized by the Board.</p> <p>(C) Debt may be issued either on a tax-exempt or taxable basis as determined by the plan of finance for a debt issuance.</p> <p>(D) Any interest rate swap hedging debt will adhere to the Interest Rate Risk Management Policy.</p>
<p>IV. ALLOWABLE DEBT STRUCTURE</p>	<p>(A) NTTA will issue debt subject to the following constraints:</p> <p>(1) Term of debt may not exceed expected useful life of the project or equipment financed.</p> <p>(2) Debt structure may not have a final maturity greater than 40 years.</p> <p>(a) Notwithstanding the preceding, refunding bonds may have a final maturity subsequent to the maturity date of the bonds to be refunded for restructuring purpose.</p> <p>(3) Debt service structure must correspond to estimated/forecasted net revenues as provided by an independent consultant and NTTA staff.</p> <p>(4) Debt may be issued to refund existing debt for debt service savings purposes as follows:</p> <p>(a) If an Advance Refunding or Forward Refunding, the net present value debt</p>

	<p>service savings must be at least 5% of the refunded debt.</p> <p>(b) If a Current Refunding, the net present value debt service savings must be at least 4% of the refunded debt.</p> <p>(5) Debt may be issued to refund existing debt for restructuring purposes to:</p> <p>(a) increase debt capacity,</p> <p>(b) improve debt service coverage ratios in specific years,</p> <p>(c) refund existing variable rate debt with fixed rate debt</p> <p>(d) improve debt service structure, and/or</p> <p>(e) refund bond anticipation notes.</p> <p>(6) Use of specific debt products will be based on an analysis and recommendation of NTTA's chief financial officer, financial advisor and bond counsel and or other independent consultants.</p> <p>(7) Applicable state and federal tax laws.</p>
<p>V. CREDIT ENHANCEMENT AND LIQUIDITY FACILITIES</p>	<p>(A) NTTA will evaluate credit enhancement for each debt issuance based upon its cost effectiveness and the impact business terms may have on the operations of NTTA. Bond insurance will be evaluated based upon any restrictions or covenants imposed by the bond insurer and the net present value difference between:</p> <p>(1) insured and</p> <p>(2) non-insured debt service payments.</p> <p>(B) For variable rate debt, NTTA may use:</p> <p>(1) lines of credit,</p>

	<p>(2) letter of credit and</p> <p>(3) other liquidity facilities to enhance the marketability of the debt. NTTA may use self-liquidity when appropriate if its cash position is adequate.</p>								
<p>VI. CONTINUING DISCLOSURE</p>	<p>NTTA will comply with continuing disclosure requirements under SEC Rule 15c2-12 and its bond documents. NTTA will develop and maintain an “Investor” financial information link on its website to make available financial and operational information to the investment community.</p>								
<p>VII. BOND COVENANT REQUIREMENTS</p>	<p>(A) NTTA will adhere to the debt service coverage and other bond covenants for the:</p> <p>(1) System Bonds, and</p> <p>(2) Other System Obligations.</p> <p>The level of indebtedness will be governed by the applicable trust agreements, and/or other bond documents and credit agreements.</p> <p>Toll rates necessary to meet debt service coverage requirements should be reasonable according to toll sensitivity analyses and forecasts prepared by the NTTA’s traffic engineers.</p> <p>(B) The minimum annual Net Debt Coverage requirements for System Bonds under the trust agreement are:</p> <table border="1" data-bbox="777 1440 1442 1629"> <thead> <tr> <th>Coverage</th> <th>Debt Service Payment Lien</th> </tr> </thead> <tbody> <tr> <td>1.35</td> <td>First tier</td> </tr> <tr> <td>1.20</td> <td>First and second tier</td> </tr> <tr> <td>1.00</td> <td>First, second and third tier and Other System Obligations</td> </tr> </tbody> </table> <p>(C) So long as the System Subordinate Lien Bonds are outstanding, NTTA will maintain Liquid Assets of at least \$50,000,000.</p>	Coverage	Debt Service Payment Lien	1.35	First tier	1.20	First and second tier	1.00	First, second and third tier and Other System Obligations
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<p>VIII. RESPONSIBILITIES</p>	<p>NTTA’s Chief Financial Officer – Responsible for</p>								

	<p>overseeing structures and strategies of debt issuances.</p> <p>NTTA’s Financial Advisor – Responsible for structuring and advising on debt issuances in accordance with the terms of the Debt Policy pursuant to the direction of NTTA’s Chief Financial Officer.</p> <p>NTTA’s Bond Counsel – Responsible for providing advice regarding adherence to terms of the Debt Policy, bond covenants and state and federal law requirements.</p> <p>F&A Committee – Responsible for reviewing the Debt Policy on an annual basis and submitting any recommended changes to the Board.</p> <p>Board – Responsible for reviewing and approving any changes to the Debt Policy recommended by the F&A Committee.</p>
<p>IX. DEFINITIONS</p>	<p>Advance Refunding – A refunding of debt where the refunding debt is issued more than 90 days prior to the redemption date of the refunded debt.</p> <p>Board – NTTA’s Board of Directors.</p> <p>Current Refunding – A refunding of debt where the refunding debt is issued no earlier than 90 days prior to the redemption date of the refunded debt.</p> <p>F&A Committee – NTTA’s Finance & Audit Committee.</p> <p>Forward Refunding – A refunding of debt where the refunding debt is delivered to the buyer pursuant to a forward delivery agreement on a date that is later than a normal delivery date for NTTA debt.</p> <p>Gross Debt Coverage – Gross Revenues divided by Net Debt Service Requirements.</p> <p>Gross Revenues – Toll revenues and other revenue of the System.</p> <p>Liquid Assets – Unencumbered cash or cash equivalents on deposit in the capital improvement fund under the System trust agreement plus the principal amount of any authorized but unissued commercial paper notes under</p>

any commercial paper program of NTTA entitled to the benefit of a credit facility or liquidity facility.

Net Debt Coverage – Net Revenues divided by Net Debt Service Requirements.

Net Debt Service Requirements – Interest and principal payments due on all System Bonds, net of capitalized interest or other funds set aside for debt service payments.

Net Revenues – Gross Revenues less operating and maintenance expenses of the System.

NTTA – The North Texas Tollway Authority.

Other System Obligations – Any debt secured by revenues of the System but not issued under the System trust agreement. Other System Obligations include the System Subordinate Lien Bonds.

SEC – The United States Securities and Exchange Commission.

System – The system of turnpike projects of NTTA designated as the “NTTA System,” including the:

- i. Dallas North Tollway;
- ii. President George Bush Turnpike;
- iii. President George Bush Turnpike Eastern Extension;
- iv. Mountain Creek Lake Bridge;
- v. Addison Airport Toll Tunnel;
- vi. Lewisville Lake Toll Bridge;
- vii. Sam Rayburn Tollway;
- viii. President George Bush Turnpike Western Extension; and
- ix. Chisholm Trail Parkway

System Bonds – Bonds issued under the System trust agreement as first tier, second tier, or third tier obligations and secured by revenues of the System.

System Subordinate Lien Bonds – NTTA's System Subordinate Lien Revenue Bonds, Series 2010A, and System Subordinate Lien Taxable Revenue Bonds,

	Series 2010B (Build America Bonds—Direct Payment), and any bonds issued to refund such bonds.
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