

<b>POLICY</b>	<b>INTEREST RATE RISK MANAGEMENT POLICY</b>	Resolution Number	17-27
		Resolution Date	3/15/17
		Effective Date	3/15/17
		Revision Date	
		Procedure Number	N/A

<b>I. POLICY PURPOSE</b>	<p>The purpose of this Policy is to establish guidelines for the approval, execution and maintenance of interest rate risk management transactions, such as interest rate swaps, used to manage the debt portfolio of NTTA. Additionally, this Policy is designed to help NTTA comply with the applicable requirements of Chapter 1371 and with applicable regulatory requirements imposed under the authority of Section 731 of Title VII of Dodd-Frank. This Policy and all Transactions collectively form the Program. All capitalized terms used herein that are not otherwise defined shall have the meaning given to them in Section X.</p>
<b>II. PURPOSE</b>	<p>(A) Interest rate risk management transactions can be an integral part of NTTA’s asset/liability and debt management strategy. A Transaction will only be executed by NTTA for one or more of the following purposes:</p> <ul style="list-style-type: none"> <li>(1) A reduction in exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from NTTA’s overall asset/liability balance. Alternatively, Transactions may be used to achieve diversification of interest exposure for a particular bond offering.</li> <li>(2) The achievement of a lower net cost of borrowing with respect to NTTA’s debt or a higher net rate of return on investments made in connection with, or incidental to the issuance, incurring, or carrying of NTTA’s obligations. Savings will be calculated after adjusting for: <ul style="list-style-type: none"> <li>(a) applicable fees (including takedown, remarketing fees, credit enhancement and legal fees) and</li> <li>(b) call options that may be available on the bonds. Examples may include, but are not limited to,</li> </ul> </li> </ul>

	<p style="text-align: center;">synthetic fixed rate debt and synthetic variable rate debt.</p> <p>(3) Management of variable interest rate exposure consistent with prudent debt practices.</p> <p>(4) Enhancement of expected investment returns within prudent risk guidelines (as established from time to time by the CFO).</p> <p>(5) Management of exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments, such as rate locks).</p> <p>(6) Achievement of greater flexibility in meeting overall financial objectives than can be achieved in conventional markets (e.g., entering into a swaption with an upfront payment).</p> <p>(B) NTTA will not enter into the following Transactions:</p> <p>(1) Transactions that are speculative or create extraordinary leverage or risk based on a reasonably prudent investor standard.</p> <p>(2) Transactions, the market for which lacks adequate liquidity to terminate without incurring a significant bid/ask spread.</p> <p>(3) Transactions that, at the time of execution, do not provide sufficient price transparency to allow reasonable valuation.</p>
<p><b>III. FORM OF TRANSACTIONS</b></p>	<p>(A) Each form of Transaction may include, but is not limited to, any of the following: interest rate swaps, basis swaps, interest rate caps, interest rate floors, interest rate collars, options on interest rate swaps, interest rate locks, or other similar Transactions.</p> <p>(B) Each Transaction will be executed under an ISDA Agreement between NTTA and the Counterparty and such other agreements as approved under NTTA's Authorizing Document pertaining to each Transaction. NTTA will follow all applicable requirements of Section VIII of this Policy when entering into each Transaction.</p>

<p><b>IV. GENERAL GUIDELINES FOR TRANSACTIONS</b></p>	<p>(A) NTTA will enter into Transactions in a prudent and professional manner, and NTTA will take into account relevant risk factors and market conditions when evaluating its asset and liability management objectives.</p> <p>(B) The following non-exclusive list provides guidelines that NTTA may follow in the evaluation and recommendation of each Transaction:</p> <p>(1) <b>Legality.</b> Any proposed Transaction documentation must fit within the legal constraints imposed by Texas and federal laws, NTTA’s Authorizing Documents and existing bond documents.</p> <p>(2) <b>Regulatory Compliance.</b> Each Transaction must be in compliance with all applicable regulatory requirements imposed under the authority of the Securities Exchange Act of 1934 as amended by Section 731 of Title VII of the Dodd-Frank act and in compliance with Texas Government Code Chapter 1371, as further discussed in Section VIII of this Policy.</p> <p>(3) <b>Tax Considerations.</b></p> <p>(a) If payments on and receipts from a Transaction are to be taken into account in computing the yield on the related bonds, the Transaction must meet the requirements for a “qualified hedge” under the applicable provisions of federal tax law (sometimes referred to as an “integrated swap”). If one of the goals of entering into a Transaction is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a “super integrated swap”), then certain additional requirements must be met. In both of these situations, the terms of such Transaction and the process for entering into the agreement must be reviewed and approved in advance by NTTA’s bond counsel.</p> <p>(b) In other circumstances, it may be to NTTA’s benefit for payments and receipts from a Transaction not to be taken into account when computing the yield on the related bonds. In connection with the analysis and recommendation of any derivative opportunity, NTTA will explore the benefits and considerations of integration with its bond counsel and advisors.</p>
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- (4) **Goals.** Each Authorizing Document must clearly state the goals to be achieved through each Transaction and each Transaction's execution parameters must be consistent with NTTA's stated goals.
- (5) **Explanation of Risks & Benefits.** Analysis necessary for the CFO, in consultation with the QIR, to explain the costs, benefits, risks and other considerations regarding each Transaction to the F&A Committee and the Board must be included as a part of the approval process for the related Authorizing Document.
- (6) **Credit Ratings.** Without the express approval of the Board, the contemplated Transaction may not have an adverse impact on any existing credit rating of NTTA.
- (7) **Tenor.** NTTA will determine the appropriate term for each proposed Transaction on a case-by-case basis. The term of a Transaction may not extend beyond the final maturity date of the underlying debt or the maturity date of the referenced investments.
- (8) **Debt Constraints.** No Transaction may contain terms that restrict the ability of NTTA to comply with additional bonds tests or anti-dilution tests and may not create cross defaults below prescribed threshold amounts on NTTA debt.
- (9) **Impact on Variable Rate Capacity.** The impact of any Transaction on NTTA's variable rate debt exposure and the impact on its ability to continue the issuance of traditional variable rate products must be assessed in advance of execution of each Transaction.
- (10) **Enhancements.** NTTA may utilize other swap enhancement products including, but not limited to, forward starting swaps, swap options, basis swaps, caps, floors, collars and cancellation options, provided their use is approved in accordance with Section VI of this Policy. The costs, benefits, and other matters regarding the enhancement will be considered during the approval process.
- (11) **Accounting Compliance.** The impact of compliance with GASB standards, or other prevailing accounting

principles, will be disclosed in NTTA's annual financial reports.

(12) **Hedge Accounting.** NTTA may, at its discretion, choose to implement hedge accounting treatment on a Transaction-by-Transaction basis. If NTTA elects hedge accounting treatment on a Transaction, then such Transaction will be constructed so that there is a reasonable expectation that it will qualify for hedge accounting treatment under GASB guidelines or other applicable rules.

(13) **Exit Strategy.** The mechanics for determining termination values at various times and upon various occurrences will be explicit in each Transaction. The QIR and/or the Counterparty can provide estimates under various economic scenarios of the potential costs, if any, of termination. Estimated termination costs and a plan for funding any such costs will be considered during the approval process.

(14) **Procurement.** The CFO in conjunction with NTTA's procurement department will determine the procurement method for each Transaction contemplated. The CFO may select from, but is not limited to, the following procurement methods:

(a) Competitive Bid. The solicitation of competitive bids will include not fewer than three Counterparties who are qualified under Section VII of this Policy. If NTTA chooses to pursue competitive bids as part of the Program, then NTTA will execute ISDA Agreements with as many Counterparties as the CFO deems necessary, but not less than three, in order to assure through competition that NTTA transacts "at the market" and diversifies Counterparty performance/credit risk.

(b) Limited Bid. The solicitation of a limited number of bids will include as many participants as deemed necessary by the CFO in order to ensure a fair and competitive process. All participants in a limited bid procurement will be Counterparties qualified under Section VII of this Policy.

(c) Negotiated Transactions. In the case of a

	<p>Transaction executed on a negotiated basis, the CFO:</p> <ul style="list-style-type: none"> <li>(i) will set parameters for execution;</li> <li>(ii) may delegate to a designee, in consultation with the QIR, authority to negotiate the applicable rate; and</li> <li>(iii) will arrange with the QIR for delivery of a "fair market value" opinion. A negotiated transaction will only be executed with a Counterparty qualified under Section VII of this Policy.</li> </ul>
<p><b>V. TRANSACTION RISKS</b></p>	<p>(A) Certain risks may be created when NTTA enters into a Transaction. At the request of NTTA, the QIR will provide a disclosure memorandum to NTTA that includes an analysis of the risks and benefits of each Transaction. In order to manage potential risks associated with the implementation of Transactions pursuant to the Program, guidelines and parameters for certain risk categories are as follows:</p> <ul style="list-style-type: none"> <li>(1) <b>Counterparty Risk.</b> The impact to NTTA of Counterparty default can be reduced by diversifying credit exposure across multiple Counterparties. In addition, NTTA may further mitigate counterparty risk by requiring Counterparties to post Collateral in accordance with the guidelines described in Section VII (A) of this Policy.</li> <li>(2) <b>Termination Risk.</b> <ul style="list-style-type: none"> <li>(a) A termination payment may be required in the event of termination of a Transaction due to a Counterparty default or following a decrease in the credit rating of NTTA or its Counterparty. NTTA will review alternatives prior to effecting a termination or making any termination payment. All Transactions should be designed to provide NTTA with sufficient time to determine whether it is financially advantageous to obtain a replacement Counterparty or to effect termination.</li> <li>(b) NTTA may retain the right to terminate each Transaction at any time over its term at its then-prevailing market value. Termination values may</li> </ul> </li> </ul>

be readily obtainable through a market quote methodology or as provided by the QIR.

(c) NTTA may, but is not required to, explore the economic viability of a unilateral termination provision that allows termination without the necessity of a termination payment (i.e., cancellation options).

(3) **Amortization/Tenor Risk.** Each Transaction designated as a hedge will be in place no longer than the final maturity of the underlying debt.

(4) **Liquidity Risk.** NTTA will consider whether the swap market is sufficiently liquid (i.e., if enough potential Counterparties participate actively in the market to assure fair pricing) for the type of Transaction being considered and the potential ramifications of an illiquid market for such type of Transaction. There may not be another appropriate party available to act as an offsetting Counterparty. NTTA may enter into liquidity or credit agreements with liquidity providers and/or credit enhancers to protect against this risk

(5) **Basis Risk (including Tax Risk).**

(a) Basis risk is the risk that payment on hedged variable rate bonds exceeds the swap receipt due to an NTTA specific credit event or a tax code change. Basis risk may be mitigated by specifying an index or percentage of an index for the Transaction reflecting historical trading relationships and scheduled future tax cuts.

(b) Any index chosen as part of a Transaction must be a recognized market index including, but not limited to, the Securities Industry and Financial Markets Association Municipal Swap Index or the London Interbank Offered Rate. NTTA will not enter into Transactions that do not have a direct (one to one) correlation with the movement of an index, without thoroughly analyzing the risk associated with such transactions. The tax risk and impact to NTTA of each Transaction may be detailed in the QIR disclosure memorandum discussed above.

	<p>(6) <b>Variable Rate Bond (Rollover) Risk.</b> NTTA could be subject to a penalty interest rate as a result of a failed variable rate demand obligation remarketing, and could fail to have a liquidity facility renewed at expiration. NTTA may consider purchasing bond insurance, as available, and may enter into a long-term liquidity facility with a highly rated provider in order to mitigate this risk.</p>
<p><b>VI. APPROVAL</b></p>	<p>(A) If the CFO determines that a Transaction(s) may be advantageous to NTTA, the CFO will present the Transaction(s) to the F&amp;A Committee for review. The CFO will provide the F&amp;A Committee a Parameters Term Sheet substantially in the form of Exhibit I to this Policy with all relevant parameters, proposed Counterparties, and other information, along with such other documentation as may be necessary or desirable for the F&amp;A Committees review of the Transaction. After its review, the F&amp;A Committee may recommend that the Transaction(s) be presented to the Board for review and approval. Approval to execute a Transaction(s) on behalf of NTTA will be authorized by the Board through adoption of a resolution which includes the Parameters Term Sheet for the Transaction(s) (“Authorizing Document”). Management responsibility for the Program will be delegated to the CFO who will establish written procedures for the operation of the Program consistent with this Policy. Authority to execute each Transaction authorized by an Authorizing Document may be delegated by the Board to the CFO or the Executive Director.</p> <p>(B) The following nonexclusive list of criteria is included to help ensure that each Transaction executed by NTTA is in compliance with this Policy, and with state and federal laws and regulations:</p> <p>(1) <b>Authorizing Document Parameters.</b></p> <p>(a) Each Authorizing Document will set forth applicable Transaction terms including, but not limited to, type of Transaction, Notional Amount, security, payment, and other financial terms of each Transaction.</p> <p>(b) Authorization granted under any Authorizing Document will expire not later than one year after approval by the Board.</p> <p>(c) In the event of a conflict between an Authorizing</p>



	<p>Document and this Policy, the terms and conditions of each Authorizing Document will control.</p> <p>(d) Each Authorizing Document will set forth a finding that it is, or upon certain circumstances could be, prudent and advisable for NTTA to enter into each related Transaction and that entry into such Transaction is consistent with this Policy.</p> <p>(2) <b>Attorney General Approval.</b> Pursuant to Chapter 1371, each Authorizing Document authorized by the Board along with any other necessary documents must be submitted to the Attorney General of Texas for review and approval prior to the execution of each respective Transaction.</p> <p>(3) <b>QIR.</b> Pursuant to applicable regulatory requirements imposed under the authority of Section 731 of Title VII of Dodd-Frank, the CFO will select a QIR that meets the Enumerated Criteria. The QIR will assist NTTA:</p> <ul style="list-style-type: none"> <li>(a) in the management of the Program;</li> <li>(b) in the implementation of each Transaction; and</li> <li>(c) in the additional roles discussed in this Policy.</li> </ul>
<p><b>VII. COUNTERPARTY APPROVAL GUIDELINES</b></p>	<p>(A) <b>Counterparty Eligibility.</b></p> <p>(1) NTTA will enter into each Transaction only with qualified financial institutions which, at the time of execution of a Transaction:</p> <ul style="list-style-type: none"> <li>(a) are rated at least AA-/Aa3/AA- by at least two of S&amp;P, Moody's and Fitch, respectively, and have a minimum capitalization of \$50 million; or</li> <li>(b) if rated below AA-/Aa3/AA- by at least two of S&amp;P, Moody's and Fitch, respectively, or if not rated, will provide credit support that may require such party to deliver Collateral for the benefit of NTTA: <ul style="list-style-type: none"> <li>(i) that is of a kind and in such amounts as are specified therein and which relate to various rating threshold levels of the Counterparty or its guarantor, beginning at AA-/Aa3/AA-</li> </ul> </li> </ul>

(S&P/Moody's/Fitch) and

(ii) that, in the judgment of NTTA, is reasonable and customary for similar transactions, taking into account all aspects of each Transaction including without limitation the economic terms of each Transaction and the creditworthiness of the Counterparty or, if applicable, its guarantor; or will post suitable and adequate Collateral (separate from any Collateral requirements of Section VII(C)) at a third party for the benefit of NTTA; or

(c) or if not rated, will obtain credit enhancement from a provider with respect to its obligations under each Transaction that satisfies the requirements of clause (a) of this subsection, given the undertaking involved with each particular Transaction.

(2) As required by Section 1371.056 of Chapter 1371, each Counterparty is required to disclose to NTTA any payments made to third parties in connection with the procurement of each Transaction.

(3) Each Counterparty will make available audited financial statements and rating reports of the Counterparty (and any guarantor or credit enhancer, as applicable) at the time of entry into each Transaction and annually thereafter. If at any time the Counterparty or credit enhancer undergoes a credit or regulatory review, then audited financial statements and rating reports of the Counterparty (and any guarantor or credit enhancer, as applicable) will be made immediately available to NTTA by the Counterparty.

**(B) Counterparty Exposure Limits and Transfer.**

(1) In order to limit and diversify NTTA's Counterparty risk and to monitor credit exposure to each Counterparty, NTTA will comply with the following guidelines:

(a) As a percent of total outstanding debt, the maximum Notional Amount of outstanding Transactions may not exceed the lesser of Rating Agency guidelines or 100 percent (100%). The net exposure total of all Notional Amounts between

each Counterparty and NTTA will include the total amount of related debt outstanding and authorized. As such, Notional Amounts for fixed to floating swaps may be used to “offset” the Notional Amounts for floating to fixed swaps, or vice-versa. Exposure limit calculations will be made net of insured termination payments. If requested by NTTA, the QIR will provide a memorandum setting forth this exposure limit calculation. Exposure limits will be reviewed by the CFO at least annually.

- (b) Limitations on transfers of Transactions with a particular Counterparty will be carefully analyzed. If the Counterparty unilaterally restricts transfer, then NTTA will make reasonable efforts to have the ability to terminate each Transaction without penalty if each Transaction is transferred or if the Counterparty is merged with another entity that changes the credit profile of the Counterparty, unless NTTA gives its prior written consent.
- (c) If the maximum notional limit is exceeded solely by reason of merger or acquisition involving two or more counterparties, NTTA will expeditiously analyze the exposure, but will not be required to “unwind” existing Transactions unless NTTA determines such action is in its best interest, given all the facts and circumstances.
- (d) If the exposure limit is breached, then NTTA will:
  - (i) conduct a review of the exposure limit calculation of the Counterparty; and
  - (ii) determine if Collateral may be posted to satisfy the exposure limits; and
  - (iii) enter into an offsetting Transaction, if necessary.
- (e) Entering into agreements with derivative product companies that are classified as “terminating” or “Sub-T” companies by the Rating Agencies will require special review by NTTA and will require specific approval by the Board.

**(C) Collateral Requirements.**

(1) Collateral posting requirements between NTTA and each Counterparty may not be unilaterally in favor of the Counterparty. As part of each Transaction, NTTA or the Counterparty may require that collateralization to secure any or all payment obligations under each Transaction be posted. Collateral requirements are subject to the following guidelines:

- (a) Collateral requirements imposed on NTTA will not be accepted to the extent they would impair NTTA's existing operational flow of funds as determined by the CFO.
- (b) Each Counterparty may be required to post Collateral pursuant to a Credit Support Annex in the event that the credit rating of the Counterparty falls below the "AA-/Aa3/AA- category by at least two of S&P, Moody's and Fitch, respectively.
- (c) A list of acceptable securities that may be posted as Collateral and the valuation of such Collateral will be determined and mutually agreed upon during negotiation of each Transaction with each Counterparty.
- (d) The market value of the Collateral will be determined on either a daily, weekly, or monthly basis by an independent third party, as provided in the documentation for each Transaction.
- (e) Failure to meet Collateral requirements will be a default pursuant to the terms of each Transaction.
- (f) NTTA and each Counterparty may provide in the Credit Support Annex for reasonable threshold limits for the initial deposit and for increments of Collateral posting thereafter.

**(D) Counterparty Assignment.** Each Transaction may provide for the right of assignment by one of the parties in the event of certain credit rating events affecting the other party. If a Transaction provides for the right of assignment, then NTTA (or the Counterparty) must first request that the Counterparty (or NTTA) post credit support or provide a credit support facility. If the Counterparty (or NTTA) does not provide the

	<p>required credit support, then NTTA (or the Counterparty) must have the right to assign the agreement to a third party acceptable to both parties and based on terms mutually acceptable to both parties. The credit rating thresholds to trigger an assignment must be included in the supporting documents.</p>
<p><b>VIII. REGULATORY COMPLIANCE</b></p>	<p>Following is a list of legal requirements imposed at the state and federal level with which NTTA will comply:</p> <p>(A) <b>Dodd-Frank Compliance.</b> Pursuant to the authority of Section 731 of Title VII of Dodd-Frank which includes amendments to the CEA regarding over-the-counter derivative instruments, regulations were published by the CFTC that define business conduct between swap dealers and their counterparties, including swap dealers engaged in swap transactions with state and local governmental counterparties such as NTTA (referred to in the regulations as “Special Entities”). The new business conduct rules are far ranging, and they can impact NTTA on several fronts as NTTA enters into Transactions. The following sections are included in this Policy in order to help NTTA comply with the CEA as amended by Dodd-Frank:</p> <p>(1) <b>CEA Section 4s(h)(5): QIR.</b></p> <p>(a) Section 4s(h)(5) of the CEA requires swap dealers and major swap participants offering swaps to Special Entities to show that they have a reasonable basis to believe that the Special Entity has an independent representative that meets certain Enumerated Criteria. CFTC Regulation 23.450 sets forth the Enumerated Criteria included in Section 4s(h)(5) of the CEA, namely that the independent representative:</p> <ul style="list-style-type: none"> <li>(i) has sufficient knowledge to evaluate the transaction and risks;</li> <li>(ii) is not subject to a statutory disqualification;</li> <li>(iii) is independent of the swap dealer or major swap participant;</li> <li>(iv) undertakes a duty to act in the best interests of the Special Entity it represents;</li> </ul>

	<p>(v) makes appropriate and timely disclosures to the Special Entity;</p> <p>(vi) evaluates, consistent with any guidelines provided by the Special Entity, fair pricing and the appropriateness of the transaction; and</p> <p>(vii) is subject to restrictions on certain political contributions imposed by the CFTC, the SEC, or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.</p> <p>(b) NTTA will select a QIR that meets the Enumerated Criteria. At least annually, or as required by the Board, NTTA will conduct a review of its QIR to ensure that it still meets the Enumerated Criteria. In the event that the QIR no longer meets the Enumerated Criteria, NTTA will select a replacement QIR that meets the Enumerated Criteria in a timely manner.</p> <p>(c) In order to ensure that NTTA is in compliance with the new regulations imposed by Dodd-Frank, NTTA may, but is not required to, execute a Protocol Agreement with its QIR and each Counterparty prior to executing any Transactions. If NTTA elects not to execute a Protocol Agreement with each Counterparty, then NTTA will provide an alternate form of written representation to each Counterparty that meets all applicable disclosure requirements required by the CEA as amended by Dodd-Frank prior to executing any Transactions.</p> <p>(2) <b>CEA Section 2(h)(1): Derivative Clearing Requirement.</b></p> <p>(a) Section 2(h)(1) of the CEA requires that certain derivative transactions, including those commonly entered into by state and local governmental entities, must be cleared through a derivatives clearing organization unless otherwise exempt from clearing under the “End User Exception” in Section 2(h)(7) of the CEA. In order to qualify for the End User Exception to the clearing requirements of the CEA, the Special Entity must report to the CFTC on</p>
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either an annual or a transaction-by-transaction basis that it:

- (i) is not a financial entity,
- (ii) is using swaps to hedge or mitigate commercial risk, and
- (iii) will notify the CFTC, in a manner set forth by the CFTC, how it generally meets its financial obligations associated with entering into non-cleared swaps.

(b) NTTA, in consultation with the QIR, will comply with Sections 2(h)(1) and 2(h)(7) of the CEA, as applicable.

(B) **Texas Government Code Chapter 1371 Compliance.** The following sections are included in this Policy in order to help NTTA comply with Chapter 1371:

(1) **Texas Government Code §1371.056: Eligibility.**

(a) Section 1371.056 of Chapter 1371, requires certain governmental entities to comply with the following measures before entering into Transactions:

- (i) The governing body of the governmental entity must adopt, amend, or ratify a risk management policy that addresses Transaction conditions, purposes, terms and counterparty selection criteria at least every two years.
- (ii) The governmental entity must receive from each Counterparty disclosure of any payments the Counterparty made to any third party to procure the transaction, and must receive a “fair market value” opinion for any Transaction procured through a non-competitive method.
- (iii) The governing body or an authorized officer or employee of the governmental entity must determine that each Transaction will conform to the governmental entity’s interest rate management policy after reviewing a report of its CFO that identified with respect to each Transaction:

- (a) its purpose;
- (b) the anticipated economic benefit and the method used to determine the anticipated benefit;
- (c) the use of receipts of each Transaction;
- (d) the Notional Amount, amortization, and average life compared to the related obligation;
- (e) any floating indices;
- (f) its effective date and duration;
- (g) the identity and credit rating of the Counterparties;
- (h) the cost and anticipated benefit of transaction insurance;
- (i) the financial advisors and the legal advisors and their fees;
- (j) any security for scheduled and early termination payments;
- (k) any associated risks and risk mitigation features; and
- (l) early termination provisions.

(b) While NTTA is not a governmental entity that is required to comply with the requirements subsections (a)(i) and (ii) above, NTTA will do so as a best practice. Sections VII(A)(2) and IV(B)(14)(c) satisfy the requirements in subsection (a)(i). To satisfy the requirements in subsection (a)(ii), prior to entering into a Transaction, the CFO will deliver a report to the Chairman of the F&A Committee and the Chairman of the Board that contains the information referenced in subsection (a)(ii).

(2) **Texas Government Code §1371.057: Approval.** Section 1371.057 of Chapter 1371 requires a governmental entity to submit a record of the proceedings of a governmental entity authorizing the execution of each Transaction to the Texas Attorney General for review and approval prior to the execution of each Transaction. NTTA will follow the requirements of Section VI(B)(2) of this Policy to ensure that it is in compliance with this requirement.

(3) **Texas Government Code §1371.061: Reporting.**

(a) Section 1371.061 of Chapter 1371 requires certain



	<p>governmental entities that have authorized a Transaction to designate an officer of a governmental entity to monitor and report on such Transaction. At least annually, a designated officer must deliver a report to the governing body of a governmental entity that contains the following information with respect to all outstanding Transactions:</p> <ul style="list-style-type: none"> <li>(i) the terms of each Transaction;</li> <li>(ii) a statement of the fair value of each Transaction and the value of any Collateral posted to or by the governmental entity under each Transaction with each Counterparty at year's end, and a review of the transaction's cash flows;</li> <li>(iii) the identity of the Counterparty, any guarantor of the Counterparty, and the credit ratings of the Counterparty and any guarantor with respect to each Transaction; and</li> <li>(iv) a statement as to whether the continuation of each outstanding Transaction would comply with the issuer's interest rate management policy.</li> </ul> <p>(b) While NTTA is not a governmental entity that is required to comply with the requirements of Chapter 1371 referenced in subsection (a) above, NTTA will do so as a best practice. To satisfy the reporting requirements in subsection (a) above, NTTA will follow all requirements of Section IX of this Policy.</p>
<p><b>IX. REVIEWS AND GENERAL REPORTING REQUIREMENTS</b></p>	<p>(A) This Policy must be reviewed and approved by the Board annually in connection with the Debt Policy. The CFO will periodically, at least annually, review NTTA's asset and liability portfolio and, if appropriate, suggest rebalancing its portfolio risk characteristics. The findings of the CFO review, if any, will be reported to the Board.</p> <p>(B) At least annually, or as required by the Board, the CFO or an authorized designee will report in writing the status of all Transactions to the Board. Any such report will include, but not be limited to, the following information:</p>

	<ol style="list-style-type: none"> <li>(1) Disclosure of all changes to Transactions or new Transactions entered into by NTTA since the last report to the Board.</li> <li>(2) A summary of each Transaction including, but not limited to, the type of Transaction, specific terms, cash flows, the marked-to-market value, the final maturity date, and other information of interest to the Board.</li> <li>(3) By Counterparty, the total Notional Amount of each Transaction.</li> <li>(4) A statement as to whether the continuation of each Transaction would comply with this Policy.</li> <li>(5) The credit ratings of each Counterparty, and those of any credit enhancer insuring or guaranteeing a Transaction.</li> <li>(6) Any default or rating change by a Counterparty to NTTA, and the results of the default or rating change including the financial impact to NTTA, if any.</li> <li>(7) Collateral posted by each Counterparty, if any, and by NTTA, if any, detailed by each Transaction and in total by Counterparty.</li> <li>(8) The market movement or rating change required to trigger a Collateral posting requirement.</li> </ol>
<p><b>X. DEFINITIONS</b></p>	<p>For purposes of this interest rate risk management policy, unless the context clearly indicates otherwise, the words and terms defined in this Section X have the respective meanings given to them herein:</p> <p>“Authorizing Document” means a resolution adopted by the Board which includes a Parameters Term Sheet for, and authorizes execution of, a Transaction.</p> <p>“Board” means the Board of Directors of NTTA.</p> <p>“CEA” means the Commodity and Exchange Act originally passed in 1936, as amended from time to time, which provides federal regulation of all commodities and futures trading.</p> <p>“CFO” means the Chief Financial Officer of NTTA.</p>

“CFTC” means the Commodity Futures Trading Commission, an independent agency of the United States Government that regulates futures and option markets.

“Chapter 1371” means Chapter 1371 of the Texas Government Code.

“Collateral” means security pledged for the repayment of obligations under a Transaction. Eligible Collateral will be specified in the documentation for each Transaction, but can often include cash or United States Treasury securities.

“Counterparty” means swap dealers, major swap participants, or other financial institutions engaged in the business of acting as a swap counterparty to municipal entities that meet the approval requirements of Section VII of this Policy.

“Credit Support Annex” means the annex to an ISDA Agreement setting forth the terms for credit support for a Transaction.

“Debt Policy” means NTTA’s Debt Policy.

“Dodd-Frank” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which contains certain requirements for any entity entering into Transactions.

“Enumerated Criteria” means the criteria for a swap advisory firm to be a QIR as described in Section VIII(A)(i)(a) of this Policy.

“Executive Director” means the Executive Director of NTTA.

“Fitch” means Fitch Ratings.

“GASB” means the Governmental Accounting Standards Board.

“ISDA” means the International Swaps and Derivatives Association, Inc., formed in 1995 to promote uniform practices in the documentation, trading and settlement of swaps and other derivative transactions.

“ISDA Agreement” means the standardized documentation set published by the ISDA to document interest rate swap transactions and other similar derivative transactions. The full documentation set consists of a master agreement, one or multiple schedules to the master agreement, one or multiple Credit Support Annexes, a

	<p>Protocol Agreement, and one or multiple transaction confirmation letters.</p> <p>“Moody’s” means Moody’s Investors Service, Inc.</p> <p>“NTTA” means the North Texas Tollway Authority.</p> <p>“Notional Amount” means the predetermined dollar principal amount upon which payments are determined under a Transaction.</p> <p>“Parameters Term Sheet” means the parameters term sheet for a particular Transaction included in the Authority Document.</p> <p>“Policy” means this interest rate risk management policy.</p> <p>“Program” means collectively, this Policy and all Transactions used to manage interest rate risk with respect to NTTA’s assets and liabilities.</p> <p>“Protocol Agreement” means the ISDA August 2012 DF Protocol Agreement published on August 13, 2012 by the ISDA designed to aid issuers and swap dealers with Dodd-Frank compliance.</p> <p>“QIR” means a swap advisory firm who meets the Enumerated Criteria and is selected by NTTA pursuant to Section VIII of this Policy.</p> <p>“Rating Agencies” means S&amp;P, Moody’s and Fitch.</p> <p>“S&amp;P” means Standard &amp; Poor’s Ratings Services, a Standard &amp; Poor’s Financial Services LLC business.</p> <p>“SEC” means the Securities and Exchange Commission of the United States.</p> <p>“Special Entities” means, for purposes of Dodd-Frank, a state, state agency, city county, municipality, or other political subdivision of a state. NTTA is a Special Entity.</p> <p>“Tenor” means the amount of time remaining to the termination of a Transaction.</p> <p>“Transaction(s)” means an interest rate swap agreement or any similar derivative transaction used to manage interest rate risk with respect to an underlying asset or liability. Interest rate swap agreements and similar derivative transactions are contractually</p>
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	binding agreements in which counterparties agree to exchange payments based upon a predetermined Notional Amount.
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**EXHIBIT I: Form of Parameters Term Sheet**

**TRANSACTION PARAMETERS TERM SHEET**  
**Date XX, 20XX**

[Title of Proposed Issue or Transaction]

**INDICATIVE TERMS AND CONDITIONS**

***Issuer:*** North Texas Tollway Authority

***Issue/Contract:***

***Amount:*** [Par and/or Notional Amount not to exceed \$XXX]

***Use of Proceeds:*** [If debt obligations are being issued.]

***Proposed Transaction:***

***Structure:***

***Index/Rate:***

***Effective Date:***

***Execution Date:***

***Related Bond Issue:***

***Bonds Refunded (if any):***

***Refunded Par (if any):***

***Amortization:***

***Average Life/Term:***

***Debt/Swap Instruments:***

***Revenue Pledge:***

***Estimated Synthetic Fixed/Variable Rate***

***Rate PV (Upfront?) Savings:***

***Benefits/Reasons for Transaction:***

***Credit Enhancement:***

***Termination Events:***

***Economic Consequences:***

***Risks and Mitigation Measures:***

***Proposed Counterparties and  
Selection Method:***

***Exit Strategies:***