

# THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

## Debt Management Guidelines

*Presented to Finance and Audit Committee January 21, 2026*

The following guidelines are intended to further the commitment of the Illinois State Toll Highway Authority (the “Tollway”), on behalf of its patrons and its investors, to sound financial decisions and practices by establishing a framework to guide management decisions regarding the issuance and management of Tollway debt. Adherence to sound debt management guidelines will preserve Tollway access to capital markets and help to minimize interest cost on Tollway debt.

Sections 17 and 20.1 of 605 ILCS 10 (the “Toll Highway Act”) authorizes the Tollway to issue bonds for any lawful purpose, including to finance new projects, reimburse for prior capital expenditures, and refund and advance refund previously issued debt. The following guidelines are subject to the Toll Highway Act, the Master Indenture dated March 31, 1999 between the Tollway and the Bank of New York Mellon as successor Trustee, and all State and Federal laws governing the issuance of debt.

1. The uses of debt will be limited to:
  - a. The financing of capital expenditures. For each debt financing related to a new project or capital plan, an analysis of future maintenance and operating costs including such new project or capital plan will be provided.
  - b. The refinancing of previously issued debt for one (or a combination) of the following purposes: (i) present value savings; (ii) annual savings in targeted years; (iii) risk reduction; and (iv) contractual reasons, such as covenant compliance. The Tollway will generally not pursue an advance refunding for present value savings purposes unless the present value savings level is at least three percent of the par value of the refunded bonds. However, in certain circumstances, subject to approval of the Board, a refunding with lower savings levels may be justified.
2. No debt will be issued until approved by the Board of Directors at a public meeting.
3. The Tollway will oversee and coordinate the timing, process of issuance, and marketing of its debt. The Tollway will engage the services of a financial advisor(s) and/or a pricing consultant to help ensure the soundness of the debt management process and the pricing of the debt, unless the Board determines that such outside assistance is unnecessary for a particular financing. The engagement of financial advisors will be either: (i) selected through a competitive RFP process specifically for that financing; or (ii) selected from a pool of financial firms previously pre-qualified by a competitive RFP process, provided the term of such pre-qualification is active at the time of the selection of the firms.

4. The Tollway will seek to issue its debt obligations through a sale method that will produce the best results for the Tollway. The Tollway may, subject to the approval of the Chair or the Board, elect to sell its debt obligations through a negotiated process, a competitive sealed bid, or a private placement. Any sale through a negotiated process would be to one or more underwriting firms either: (i) selected through a competitive RFP process specifically for that financing; or (ii) selected from a pool of underwriting firms previously pre-qualified by a competitive RFP process, provided the term of such pre-qualification is active at the time of the selection of the firms.
5. The Tollway will not allow financial firms to be eligible to provide underwriting and financial advisory services at the same time, due to the potential for actual or perceived conflicts of interest. To the extent possible, solicitations to establish pre-qualified pools of firms eligible to provide such services will be done at approximately the same time and such solicitations will prohibit the Tollway from naming a given firm to be eligible to serve in both roles. Should a firm previously pre-qualified for one of these two roles choose to apply for the other role in a future solicitation, such firm, should it be pre-qualified in the other role, would not receive consideration for assignment to a particular financing for a period of one year, as dictated by Board Resolution #18905 approved by the Board on November 19, 2009.
6. Assignment(s) of pre-qualified financial advisory and underwriting firms to particular financings will be made pursuant to selection criteria included in the respective RFPs for those services.
7. In accordance with the registration regime established by the SEC pursuant to the Dodd-Frank Act, firms utilized as Financial Advisors in connection with Authority bond issuances will be registered as municipal advisors with the Securities and Exchange Commission.
8. In accordance with the Toll Highway Act the Attorney General approves and supervises legal counsel on debt financings. The Tollway in cooperation with the Attorney General may establish a pool of outside counsel pre-qualified to serve as bond counsel, issuer's counsel, underwriters counsel, disclosure counsel and in other legal counsel roles in connection with debt financings. Legal Counsels for a given debt financing will be assigned per the direction of the Attorney General's Office. The Tollway's General Counsel and other attorneys in the Attorney General's Tollway Bureau will be involved as assigned by the Attorney General and in response to the legal needs of the Tollway in connection with debt financings.
9. The Tollway will encourage participation of minority-owned, women-owned, veteran-owned, and disabled-owned business enterprises and disadvantaged business enterprises (collectively, "MBE/DBE") to the extent allowed by law,

including, where appropriate, setting MBE/DBE contracting goals that are consistent with federal, state and Tollway Board policies.

10. Borrowing should be of a duration that does not exceed 120% of the estimated economic life of the assets financed or refinanced, and, where feasible, should be equal to or shorter than such estimated economic life. To the extent possible, the Tollway will design the repayment of debt to recapture rapidly its credit capacity for future use.
11. The Tollway will strive to maintain average senior lien debt service coverage near 2X. For purposes of this guideline, debt service may be net of any capitalized interest and expected subsidies from federal or other governmental programs.
12. The Finance Department will provide periodically, but no less than annually, a long-term cash flow projection to the Board, to help ensure that future resources are available to meet future capital and debt financing needs.
13. The Tollway will strive to maintain the highest possible ratings for its debt issuances consistent with the priorities established by the Board. The Tollway will provide a periodic information update to the credit rating agencies as needed, but at least annually
14. The Tollway will comply with all continuing disclosure requirements, including as required by paragraph (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.
15. The Tollway may defease its outstanding indebtedness through purchase of its securities on the open market when market conditions make such an option financially feasible and in the Tollway's best interests.
16. The Tollway will comply with all Arbitrage Rebate and Yield Calculations, engaging the services of an expert advisor to assist in such calculations. Although the federal requirement to calculate arbitrage rebate for a given debt issuance is every five years and at maturity, the Tollway will make such calculations annually for all of its debt issuances. The Tollway will strive to obtain a legal opinion in connection with each calculation.
17. The Tollway will comply with post-issuance compliance procedures.
18. The Tollway will strive to adhere to the Interest Rate Risk Management Guidelines attached hereto as Exhibit A.

## **Interest Rate Risk Management Guidelines**

January 21, 2026

### **Introduction**

The purpose of the Interest Rate Risk Management Guidelines (the “Guidelines”) is to establish procedures for the analysis, use, execution and management of interest rate risk management tools, including interest rate exchange agreements, forward purchase agreements, variable rate debt and other products, agreements or transactions executed by the Tollway to manage or hedge interest rate risk, credit risk, tax risk or other risks associated with the borrowing and investment of capital.

The use of interest rate risk management strategies is constrained and/or governed by the Amended and Restated Trust Indenture, as amended and supplemented by each Supplemental Indenture, the Toll Highway Act of the State of Illinois, 605 ILCS 10/1 through 10/35, the 1970 Constitution of the State of Illinois and other applicable laws.

### **Scope and Authority**

These documents shall guide the Tollway’s use of all interest rate risk management tools related to outstanding debt and debt projected to be issued by the Tollway in the future. The Tollway expressly recognizes that changes in the financial markets, changes in Tollway finances and legal authorizations, and other unforeseen developments may produce situations that are not adequately covered by the Guidelines. In that situation, the Tollway may need to make changes to the Guidelines to more fully achieve its goals. Accordingly, financial market conditions should be monitored closely to assess whether any change, for better or worse, warrants change to these Guidelines.

In such circumstances, management of the Tollway will make every effort to amend the Guidelines and present its recommendations to the Finance and Audit Committee of the Board of Directors for its review.

The Chief Financial Officer and Debt Manager are designated as administrators of the Guidelines. In that role they are responsible for (a) compliance with the Guidelines; (b) periodically reviewing the Guidelines and making recommendations on amendments that may be required; (c) establishing procedures to assure compliance with the Guidelines throughout the life of each interest rate risk management contract or strategy, including proper training and redundancy of Tollway staff; and (d) reporting to the Board on compliance with the Guidelines. The Guidelines should be reviewed and updated periodically as deemed necessary by the Chief Financial Officer or Finance and Audit Committee.

The Board of Directors of the Tollway shall approve all transactions involving interest rate risk management strategies as contemplated in these Guidelines. The Tollway shall

enter into such transactions only with counterparties deemed to have the financial strength necessary to protect the Tollway's financial interests in the transaction.

### **Purpose and Form of Interest Rate Risk Management Agreements**

The Tollway may use interest rate risk management agreements for various purposes including managing certain risks related to debt, achieving efficient access to capital, and better matching of Tollway assets and liabilities.

The Tollway shall enter into written agreements documenting each interest rate risk management agreement with the counterparty. The Tollway expects such contracts will be based on the International Swap Dealer Association, Inc ("ISDA") Master Agreement (the "Master Agreement") and any schedules to the Master Agreement including a credit support annex with collateral requirements. Any such agreement shall include any Dodd-Frank protocols required by the Dodd-Frank Act as implemented by the Commodity Futures Trading Commission ("CFTC") or other applicable regulatory authority.

The Tollway will monitor market developments regarding the standard form of agreements and related practices, and modify its market agreement standards as appropriate for governmental issuers.

Prior to terminating or modifying an existing interest rate risk management agreement or entering into a new interest rate risk management agreement, the Tollway will: (a) designate one or more of its financial advisors as a Qualified Independent Representative for purposes of the Business Conduct Standards adopted by the CFTC in furtherance of the Dodd-Frank Act, such designations authorized by Tollway Board Resolution #20094 approved by the Board on September 26, 2013; and (b) as deemed necessary or in the best interests of the Tollway to effect a desired transaction (including entering into a new agreement or terminating or modifying an existing agreement), enter into safe harbor letter(s) with one or more counterparty(ies) in which the Tollway would make certain representations to the swap counterparty(ies), including that the Tollway has designated a Qualified Independent Representative to the applicable transaction(s), which such representations would allow the swap counterparty to engage in certain communications with the Tollway without assuming a fiduciary responsibility to the Tollway.

### **Risk Assessment**

The following is a brief discussion of the types of risk that will be assessed with each contemplated interest rate risk management agreement.

1. *Interest Rate Risk.* The rate of interest paid may increase on direct variable rate bonds or floating payer interest rate risk management agreements.

2. Liquidity Risk. When holders of variable rate bonds have a “put” option allowing them to tender their bonds back to the Tollway in exchange for cash, and those bonds cannot be remarketed, the Tollway may pay a higher rate of interest to the financial institution that provides liquidity for the tendered bonds.
3. Liquidity Renewal Risk. Liquidity provider agreements typically range from one to seven years, usually shorter than the amortization term of the variable rate bonds for which such facilities are required. Two risks exist: (a) the Tollway may incur higher renewal fees when new agreements are negotiated; and (b) the liquidity bank market constricts such that it is difficult to find a financial institution willing to provide liquidity.
4. Termination Risk. Termination risk is the cost of replacing the counterparty to an interest rate risk management agreement under unexpected circumstances including: a rating downgrade on the part of the Tollway or the counterparty, a covenant violation or default as defined in the Tollway’s bond indenture or counterparty bankruptcy. Termination risk may be reduced with collateral requirements, or through the purchase of termination risk insurance to cover the cost related to replacing the counterparty.
5. Tax Risk. Tax risk arises from tax-exempt rates increasing relative to Federal taxable rates, as might result from a decrease in the marginal rate of corporate and/or personal income tax rates.
6. Basis Risk. The risk of having insufficient receipts from a floating receiver interest rate risk management agreement to pay interest due on the underlying variable rate debt issued by the Tollway. The mismatch of receipts and payments can also occur to the Tollway’s benefit.
7. Counterparty Risk. The risk that the counterparty does not perform pursuant to the terms of the interest rate risk management agreement. The Tollway will strive to mitigate Counterparty Risk by: (i) requiring that at the time of execution of any Swap Agreement, the long-term senior ratings of any Counterparty would be no less than A+ (Fitch), A1 (Moodys) and A+ (S&P) by any such rating agency then rating said Counterparty, and that at least two such ratings shall be required; (ii) diversification of Counterparties; and (iii) requiring collateral provisions from all Counterparties.
8. Operational Risk. The risk that the Tollway or the counterparty may not have adequate systems, polices and monitoring thereof, to avoid potentially costly mistakes involving the legal confirmation of transaction details, cash flow exchanges and collateral provisions.

## **Term of Agreements**

In general, the Tollway shall not enter into an interest rate risk management agreement for a term longer than the actual or projected life of related debt, taking into account future refunding and restructuring considerations.

## **Monitoring, Reporting and Disclosure**

The administrators of the Guidelines shall report to the Finance and Audit Committee of the Board of Directors on the risk position of the Tollway as it relates to the use of interest rate risk management agreements. Such information may be included as part of other Tollway annual and/or quarterly financial reporting, and shall include the following:

1. Summary of interest rate risk management agreements
2. Profile of credit exposure by counterparty, along with ratings for each counterparty
3. Material events related to any counterparty
4. Termination value for each transaction
5. Other information as requested by the Board of Directors.

The Guideline administrators shall maintain as part of the Tollway's records all information required for: (a) financial reporting under GASB as well as other reporting and disclosure requirements, and (b) all necessary information related to interest rate risk management agreements that is required for reporting and disclosure purposes for all interest rate risk management agreements in force during the year.

## **Variable Interest Rate Exposure**

The Tollway shall strive to reduce and subsequently limit its variable rate exposure to no more than 25% of outstanding debt. For purposes of this limitation, (a) a variable rate will be a rate that was initially set for a period of less than three years, unless such period ends with a maturity that is not expected to be required to be refinanced; and (b) variable rate exposure shall include the principal amount of all variable rate debt, regardless of whether such debt has been hedged, plus the notional amount of all synthetic variable rate debt. Accordingly, variable rate bonds converted to synthetic fixed rate bonds via the use of interest rate hedge (or swap) agreements would count against the Tollway's variable rate exposure limit.

In addition to the above limitation, the Tollway will limit its unhedged variable rate exposure to 15% of outstanding debt. Unhedged variable rate exposure shall include the principal amount of all variable rate debt that has not been converted to a synthetic fixed interest rate, plus the notional amount of all synthetic variable rate debt.

## **Liquidity Facilities**

The Tollway will consider the following factors when determining whether to use a liquidity facility, as well as what firm and terms to accept:

1. *Form of the Liquidity Facility*. The Tollway will evaluate different forms of liquidity in order to balance the protection offered against the economic costs associated with each structure. The forms of liquidity facility include direct pay letters of credit, standby letters of credit and standby purchase agreements.
2. *Credit Ratings*. The Tollway will seek out liquidity providers that have a combination of high short term ratings and the most favorable contractual terms to the Tollway as represented in the negotiated Reimbursement Agreement or Standby Bond Purchase Agreement. At a minimum the short-term ratings of any liquidity provider, at the time of purchase of such liquidity, will be F1 (Fitch), VMIG1 (Moody's) and A1 (S&P).
3. *Concentration of Liquidity Providers*. The Tollway will strive to limit its exposure with any one liquidity provider to no more than the greater of (a) 25% of the total outstanding amount of variable rate bonds requiring liquidity support; and (b) \$300 million.
4. *Third-Party Risk*. The Tollway will limit third-party risk to a liquidity facility. For example, the availability of a liquidity facility may not be dependent on the creditworthiness of a bond insurer.
5. *Trading Values*. Before awarding contracts to liquidity facility providers, the Tollway will seek input from its financial advisors on trading levels and general market acceptance of bonds secured by the liquidity facilities of such provider(s).
6. *Costs*. The Tollway shall consider all cost components when selecting and structuring a liquidity facility, including the commitment fee, draw fees (if any) and interest rates charged when a draw or purchase of bonds occurs. The Tollway will seek to avoid agreements containing significant early termination fees for terminations beyond one year.
7. *Renewal provisions*. The Tollway will strive to maximize the amount of time prior to liquidity expiration that the liquidity provider may be required to inform the Tollway of intention to renew, in order to provide the Tollway with ample time to make other arrangements should the provider not renew.
8. *Terms*. The Tollway shall consider the term of the liquidity facility offered by providers, favoring longer terms provided any additional cost of such longer terms is reasonable, and, to the extent the Tollway maintains multiple liquidity facilities, will seek diversity of terms in order to lower the amount of liquidity renewals that may be scheduled to expire at any one time. Such preference for diversity of terms shall take into consideration the extent to which one or more of

the liquidity agreements allow for termination without penalty during all or a portion of its term.

9. *Impact of Accessed Liquidity.* The Tollway will consider the cash flow impact of a full accessing of the Liquidity Facility on the Tollway's financial condition, including its Net Revenue Requirement.