Debt Policy

I. Purpose

The purpose of this Central Florida Expressway Authority (CFX) Debt Policy is to establish guidelines and a framework for the issuance and management of CFX's debt. CFX is committed to consistent, best practices financial management, including maintaining the financial strength and flexibility of CFX and the full and timely repayment of all financial obligations. CFX will be open to recommendations or ideas for any proposed transaction as well as variations from the following guidelines provided that such variation shall be fully examined in conjunction with CFX's advisors and justified to the Board of CFX.

II. Capital Budgeting and Debt Issuance Policy

A. CFX has retained the services of a traffic engineer and a general engineering consultant to obtain independent professional advice on the acquisition, construction, operation and management of the system, including assistance on the development of a Five-Year Work Plan and Twenty-Five Year Master Plan. The Five-Year Work Plan is typically reviewed and updated at least annually. The Twenty-Five Year Master Plan is typically updated every five years. CFX has developed and will maintain and update, as appropriate, a comprehensive Capital Planning Model as a tool in developing a financing plan for its Five-Year Work Plan, as well as other additional longer-term capital improvements. The Capital Planning Model incorporates the following elements, in addition to other factors:

1. System revenue projections from CFX's traffic consultant or alternative revenue projection scenarios
2. Projected Operations, Maintenance and Administration Expenses
3. Existing debt service requirements
4. Projected Five-Year Work Plan funding needs together with estimates to complete projects beyond the five year scope
5. Projected timing of the adopted Five-Year Work Plan projects
6. Estimated additional debt service requirements
7. Estimated investment income

B. Long-term debt will be used to finance essential capital projects and certain equipment where it is cost effective, prudent or otherwise determined to be in the best interest of CFX. Long-term debt, which includes capital lease financings, should not be used to fund CFX's operations. The useful life of the asset or project financed with long-term debt should exceed the payout schedule of any debt issued by CFX to finance such asset.

C. Medium-term or “put” bonds will be used judiciously and only after careful analysis and discussion of the interest rate and rollover risks involved.

D. Variable rate debt may be issued in various forms – e.g., bonds, commercial paper, bank lines. The amount of unhedged variable rate debt generally should not exceed

25% of all outstanding debt of CFX. As a goal, CFX desires its total hedged and unhedged variable rate debt not to exceed 25% of all outstanding long-term debt of CFX.

III. Debt Service Coverage Targets and Limits

A. For CFX to issue new bonds on a parity basis, per the Master Resolution, CFX will need to demonstrate that pledged revenues, as defined in the Master Resolution, shall be sufficient to cover the existing and new debt service by 1.20x.

B. CFX shall maintain a minimum senior lien debt service coverage ratio of at least 1.45x on the existing and planned debt issues. For planning purposes, staff shall make every effort to plan for a 1.60x senior lien debt service coverage ratio.

IV. Method of Sale Evaluation

CFX will sell long-term debt on a competitive basis unless, based on the advice of the CFO and Financial Advisor, the transaction is better suited for a negotiated sale or direct placement.

A. With the goal of obtaining the lowest cost of capital and completing a successful transaction, for each transaction recommended, the CFO, with advice from the Financial Advisor, will undertake an analysis to determine the recommended method of sale, including competitive, negotiated, or direct placement.

B. The evaluation will take into consideration, among other factors the following considerations as outlined in the Government Finance Officers' Association (GFOA) best practice recommendations:
   1. Expected credit rating of bonds being issued
   2. Strength of revenue stream
   3. Structure of bonds and potential need for extensive explanation to the bond market
   4. Use of insurance or other credit enhancement
   5. Other factors that staff, in consultation with the financial advisor, believes favor the use of one method over the other

C. The evaluation will be shared with the Finance Committee and a recommendation as to the method of sale will be presented.

D. Should CFX select the use of a negotiated sale, the following guidelines will be followed to increase the likelihood of a successful transaction and fully documents negotiated sale process:
   1. Underwriters will be selected through a formal RFP process under CFX's Procurement Policies.
   2. CFX's Financial Advisor will advise CFX on all aspects of the sale, including but not limited to structuring, disclosure preparation and bond pricing.
   3. Staff and the Financial Advisor will make a recommendation for lead underwriting firm and all participating co-senior and co-manager firms based on:

a. results of most recent RFP selection,
b. firm's contribution to development of strategies for transaction,
c. demonstrated ability of firm to successfully underwrite similar transaction, and/or
d. previous work assigned to firm under current RFP selection.

4.

5. The Financial Advisor shall prepare a post-sale summary and analysis that documents the following:
   a. pricing of the bonds relative to other similar transactions priced at or near the time of CFX' s bond sale,
   b. final cash flows including the true interest cost of the sale and the date of the verbal award, and
   c. summary of all orders, allotments and allocation of takedown to the underwriting syndicate to monitor compliance with distribution rules

   The analysis shall be shared with the Finance Committee.

E. Should a direct placement be recommended, staff and the Financial Advisor shall undertake a competitive process for selecting the placement party to ensure CFX's objectives are met at the lowest cost of capital. Such process may include a formal RFP or solicitation of pricing indications, as appropriate.

V. Debt Structure

A. In general, CFX will seek to structure long-term debt so that it provides for level annual payments of principal and interest over the life of each respective issue (or approximately aggregate level debt service for all outstanding debt issues), after a period of interest only payments and the use of capitalized interest, as appropriate, for the respective issue in order to effectively interface with other existing debt of CFX and within the context of the Five-Year Work Plan and other considerations within this Debt Management Policy. CFX may utilize various debt structures to accomplish its financing goals, including but not limited, to the use of premium bonds, discount bonds, capital appreciation bonds, convertible capital appreciation bonds, variable rate and multimodal bonds and capitalized interest, when appropriate in order to achieve the goals provided in this Debt Management Policy.

B. CFX will consider interest rate swap transactions only as they relate to its debt management program and not as an investment instrument. No swap transaction should impair the outstanding uninsured bond rating of CFX. Additionally, no interest rate swap transactions will be considered if it causes CFX to exceed the targets in its Interest Rate Risk Management Policy. (For additional details, see CFX's Interest Rate Risk Management Policy.)

VI. Call Provisions

A. Call provisions for CFX bond issues shall be made as short as possible consistent with the lowest interest cost to CFX, taking into consideration the option value of such call provisions.

B. When practical, all CFX bonds shall be callable only at par.

VII. Debt Refunding

CFX staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding or refinancing outstanding debt. As a general rule, the present value savings of a particular refunding should equal or exceed 3% of the refunded maturities. For an advance refunding a higher minimum savings threshold should be required, depending on how soon the bonds may be called. However, in order to meet certain restructuring or risk management goals, CFX may elect to lower the present value savings threshold for any individual transaction.

VIII. Credit Enhancement and Liquidity

Bond insurance, surety policies, letters of credit, liquidity facilities and other credit enhancements will be used when it provides economic savings or risk management opportunities for CFX. Letters of credit, liquidity facilities or other credit facilities may expose CFX to bank provider risk. In those instances, bank providers should possess minimum long term credit ratings of “A2/A/A” and minimum short term ratings of “P-1/A-1/F1” from Moody’s Investors Services, Standard and Poor’s Corporation and Fitch Ratings, respectively.

IX. Continuing Disclosure

CFX is committed to providing continuing disclosure of financial and pertinent credit information relevant to CFX's outstanding securities, and has and will continue to comply with those provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure. CFX has engaged the services of Digital Assurance Certification L.L.C. ("DAC") to serve as Disclosure Dissemination Agent.
Additionally, CFX will maintain financial information on its website to provide timely information to the market and public. Such information will include, but not be limited to, comprehensive annual financial reports, monthly cash flow reports, reports on revenue and expenses, transactional information, current official traffic and revenue forecasts and current year budgets. It will be noted that monthly financial information will not be audited and will not be reported on a full accrual basis, but is available to provide timely information to interested parties.

X. Credit Objectives

A. It is CFX's intent to maintain and improve the credit ratings on its outstanding and proposed bond issues. CFX will maintain long-term debt ratings from at least two of the three major bond rating agencies – Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. CFX may discontinue the use of ratings from any agency which currently rates the debt of CFX if, based on advice from CFX's Financial Advisor and underwriting team, the discontinuance of such rating will not adversely affect the rates that can be achieved in selling CFX's debt without such rating.

B. CFX's CFO will maintain frequent communications with the credit rating agencies that currently assign ratings to CFX's various debt obligations, bank credit providers/lenders, and bond insurers that currently enhance any of CFX's various debt obligations. This effort shall include providing periodic updates on CFX's general financial condition along with coordinating meetings and presentations, as necessary, in conjunction with a new debt issuance.

C. CFX's CFO will develop, in conjunction with the Financial Advisor and Disclosure Counsel, an investor relations program that will be designed to keep present and future investors in CFX's debt fully informed on current developments related to CFX and its long-term debt.

XI. On-going Reporting Requirements

At least twice each year, the Board shall receive a report on the status its debt. The report shall at a minimum include:

- Amount and percentage of total debt by categories:
  - natural fixed
  - synthetic fixed
  - natural variable
  - synthetic variable
- Current mark-to-market value of all interest rate exchange agreements
- Historical rate performance for all variable rate bonds
- Any changes in ratings for credit enhancers and swap counterparty

CFX's CFO, with the assistance of the financial advisor, shall be responsible for analyzing any unsolicited proposals received relative to debt issues, responding to the proposal as appropriate, and recommending to the Finance Committee any action to be taken in a timely manner.

XII. Policy Review

This policy shall be reviewed at least every two years.

APPROVED AND ADOPTED BY THE BOARD ON ______________________.