

Illinois State Toll Highway Authority Investment Policy

1 POLICY:

Under this instrument, the Illinois State Toll Highway Investment Policy ("Policy"), it is the intent of The Illinois State Toll Highway Authority ("Tollway") to invest all funds under Tollway's control in a manner that provides the highest investment return using authorized instruments while meeting the Tollway's daily cash flow demands in conformance with all state statutes and any amended and revised Indenture governing the investment of Tollway funds.

Funds under Tollway control include those funds held by the Treasurer, Trustee, or in locally held accounts. "Treasurer" means the Treasurer of the State of Illinois and *ex officio custodian* of the "Illinois State Toll Highway Authority Fund," a special fund created under the Toll Highway Act, 605 ILCS 10/1.1 as amended of the date of the 1999 Amendatory Supplemental Indenture ("Indenture"). "Trustee" means the financial institution retained by the Tollway to act as custodian for funds set-aside for debt service, debt service reserves, and related obligations.

This Policy applies to all investments entered into on or after the adoption of this instrument. Until the expiration of investments made prior to the adoption of this Policy, such investments will continue to be governed by the policies in effect at the time such investments were made.

Authorized Investment Officers include the Executive Director, Chief of Finance, Controller, Chief Accountant, for Treasurer held funds those Officers identified by the Treasurer as Authorized Investment Officers, and for funds held by Trustee those Officers identified by contractual agreement.

2 OBJECTIVE:

The primary objective in the investment of Tollway funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the Tollway, and providing the highest investment return using authorized instruments.

2.1 Safety:

The safety of principal is the foremost objective of the investment program. Tollway investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 8 of this Policy, is required to ensure that the Tollway prudently manages market, interest rate and credit risk.

2.2 Liquidity:

The investment portfolio shall remain sufficiently liquid to enable the Tollway to meet all operating requirements that might be reasonably projected.

2.3 Return On Investment:

The investment portfolio shall be designed to obtain the highest available return, taking into account the Tollway's investment risk constraints and cash flow needs.

3 ETHICS AND CONFLICTS OF INTEREST:

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Executive Director any material financial interests in financial institutions that conduct business within the Tollway, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

4 AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:

A list provided by the Illinois State Treasurer shall be maintained of approved financial institutions and broker/dealers, which shall be utilized by Authorized Investment Officers selecting institutions to provide investment services. An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officers. More frequent reviews may be conducted if warranted.

5 AUTHORIZED AND SUITABLE INVESTMENTS:

The Tollway authorizes the following types of investments subject to the provisions of the Public Funds Investment Act (30 ILCS 235) and the Indenture:

5.1 Securities that are guaranteed by the full faith and credit of the United States as to principal and interest;

5.2 Obligations of agencies and instrumentality of the United States as originally issued by the agencies and instrumentality;

5.3 Municipal Bonds which have a rating not lower than the rating of Tollway Senior Bonds outstanding.

5.4 Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank, savings and loan association or credit union which meet capitalization requirements dictated by the Indenture.

5.5 Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et seq.) and rated at the highest classification of at least one standard rating service.

5.6 The Illinois Funds created under Section 17 of the State Treasurer Act (15 ILCS 505/17).

5.7 Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C.A. § 78o-5).

5.8 Any other investment securities as to which the Tollway has received written confirmation from each rating agency which has a rating on any bonds of the Tollway that investment in such securities will not result in a reduction of the rating by the rating agency.

5.9 Any swap agreements entered into consistent with the Tollway's Interest Rate Risk Management Guidelines.

6 INVESTMENT RESTRICTIONS:

Investments prohibited include derivative products not defined in Section 5 of the Policy; leveraging of assets through reverse repurchase agreements; and direct investments in tri-party repurchase agreements.

7 COLLATERALIZATION:

All Tollway deposits shall be secured by U.S. Government guaranteed securities held as collateral. The Tollway may take possession and title to any securities held as collateral and holds such securities until it is prudent to dispose of them.

8 DIVERSIFICATION:

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The Tollway shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers;

The investment portfolio shall seek to diversify the total assets in the portfolio at the time of the origination or purchase, as monitored on a routine basis and as maturity of instruments occur, and as adjusted as appropriate.

The Tollway shall invest the majority of Tollway funds, excluding bond proceeds, in authorized investments of less than one-year maturity. The Tollway shall invest bond proceeds in authorized investments of duration(s) consistent with reasonably estimated schedule of expenditures. No investment shall exceed a ten-year maturity as per Indenture Section 603(1).

9 CUSTODY AND SAFEKEEPING:

The custody and safekeeping of collateral and securities will be handled by financial institutions designated by the Tollway and/or Treasurer, and evidenced by safekeeping receipts.

10 INTERNAL CONTROLS:

The Tollway shall establish a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

Authorized Investment Officers shall obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit shall be purchased by Authorized Investment Officers on the basis of the institution's ability to pay a competitive rate of interest. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

11 LIMITATION OF LIABILITY:

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized Investment Officers acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

12 REPORTING:

The Chief of Finance shall develop performance reports in compliance with established industry reporting standards following the adoption of this Investment Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

The Tollway reserves the right to amend this Policy at any time upon the advice and consent of the Tollway Board of Directors.