

Arkansas State University

Tax Exempt Bond Post-Issuance Compliance Manual



Arkansas State University System Post-Issuance Compliance Policy Manual

Section 1. Introduction

- 1.1. The purpose of this administrative Post-Issuance Compliance Policy Manual (the "Manual") is to provide assistance to the Board of Trustees of the Arkansas State University System (the "Board") in complying with its post-issuance obligations pursuant to federal income tax law with regard to its tax-exempt lease obligations, notes, bonds and other obligations (collectively, the "Bonds"). In addition, the purpose of the Manual is to assist the Board in complying with its continuing disclosure obligations pursuant to Securities and Exchange Commission Rule 15c2-12. It is the policy of the Board to comply with all relevant state and federal laws with regard to its Bonds. The Board has issued Bonds for the benefit of various campuses of the Arkansas State University System (the "System"). This Manual applies to all such Bonds issued by the Board. (See Appendix 1 for the ASU System Policy adopted by the Board on May 15, 2009, Resolution 09-19)
- 1.2. These written procedures and guidelines are intended to assist representatives of the Board in developing policies, procedures and systems which will ensure that the Bonds remain tax-exempt. Because most tax-exempt Bonds will remain outstanding for many years, it is important to have procedures which can be understood and implemented over time even as the responsible parties may change.
- 1.3. It is important that the Board assigns responsibility for post-issuance tax law compliance and that sufficient information is routinely identified and maintained to allow those who later inherit that responsibility to successfully continue the job of post-issuance compliance.
- 1.4. In general, as an issuer of tax-exempt Bonds, the Board is responsible for satisfying all applicable federal tax requirements for so long as such Bonds remain outstanding. The Board has responsibility of monitoring post-issuance compliance and maintaining adequate records to substantiate compliance. A failure to fulfill this responsibility may result in the Bonds forfeiting their tax-exempt status.
- 1.5. Certain Bonds and certain taxable obligations are subject to the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12. Failure to comply with continuing disclosure undertakings could negatively affect the marketability of the Board's obligations. This Manual is intended to assist representatives of the Board in maintaining compliance with its continuing disclosure undertakings.

Section 2. Responsible Person

- 2.1. The representative of the Board with primary responsibility for monitoring post-issuance compliance of Bonds is the Vice President for Finance of the System (the "Responsible Person"). Any successor Responsible Person shall meet with bond counsel

for the particular issue of the Bonds in order to ensure ongoing compliance with the procedures of this Manual.

- 2.2 The Responsible Person may develop an annual certification to be completed by the Campus Representative.
- 2.3. It is the policy of the Board that the Responsible Person should be provided with education and training on federal tax requirements applicable to tax-exempt bonds. The Board recognizes that such education and training is vital as a means of helping to insure that the Board remains in compliance with those federal tax requirements in respect of its Bonds. The Board will enable and encourage the Responsible Person to attend and participate in educational and training programs with regard to the federal tax requirements applicable to tax-exempt bonds. The Responsible Person is also authorized to retain counsel or other parties from time to time to assist in such training and education.

Section 3. Record-Keeping

- 3.1. All records regarding an issue of Bonds shall be retained for the life of the Bonds plus six years. In the event that an issue of Bonds is refunded, the records from the original issue shall be retained for the life of the refunding Bonds plus six years.
- 3.2. All records for each Bond issue shall be kept in a separate and distinct file to be located at the offices of the Campus Representative (as defined in Section 8) of the campus for which the applicable Bonds were issued.
- 3.3. The following records, as applicable, shall be maintained for each issue of Bonds for the length of time designated in Section 3.1 of this Manual:

Bond Issues with Transcripts

- a. Bond transcripts, official statements and other offering documents;
- b. Documents related to government grants associated with construction, renovation or purchase of Bond-financed facilities;
- c. Trustee statements for Bond financings;
- d. Correspondence (letters, e-mails, faxes, etc.) for Bond financings;
- e. Reports of any IRS examinations of the Board, the System or Bond financings;
- f. Federal tax or information returns (e.g., Form 8038 series returns); and
- g. Correspondence regarding and copies of all annual disclosure documents.

Leases and Other Obligations without Transcripts

- a. Any offering documents;
- b. Documents related to the financing;
- c. Resolutions authorizing the financing;
- d. Certifications of the issue price of the obligations;

- e. Any formal elections for the financings (e.g. election to employ an accounting methodology other than specific tracing);
- g. Documents related to government grants associated with construction, renovation or purchase of the financed facilities;
- i. Trustee statements for the financings;
- j. Correspondence (letters, e-mails, faxes, etc.) for the financings;
- k. Reports of any IRS examinations of the Board, the System or the financings; and
- l. Federal tax or information returns (e.g., Form 8038 series returns).

Section 4. Investments and Arbitrage Compliance

- 4.1. Each applicable Campus Representative shall maintain documentation of allocations of investments and investments earnings to Bond financings. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 4.2. Each applicable Campus Representative shall maintain documentation for investments of all Bond financing proceeds related to investment contracts, credit enhancement transactions, financial derivatives and bidding of financial products. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 4.3. Each applicable Campus Representative shall maintain copies of computations of Bond yield, computation of rebate and yield reduction payments, Form 8038-Ts and Form 8038-Rs for each issue of Bonds. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 4.4. Each applicable Campus Representative shall monitor instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of Bond proceeds in lower yielding investments.
- 4.5. Each applicable Campus Representative shall monitor Bond financings that are expected to comply with the arbitrage rules as a result of the application of a temporary period exception or a spending exception.
- 4.6. Each applicable Campus Representative is authorized to retain independent certified public accountants from time to time to assist in the calculation and payment of any arbitrage rebate owed to the United States Treasury.

Section 5. Expenditures and Assets

- 5.1. Each applicable Campus Representative shall maintain documentation of allocations of Bond-financing proceeds to expenditures (e.g., allocation of Bond proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of the governmental purpose). Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 5.2. Each applicable Campus Representative shall maintain copies of requisitions, draw schedules, draw requests, invoices, bills and cancelled checks related to Bond proceeds

spent during the construction period. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.

- 5.3. Each applicable Campus Representative shall maintain copies of all contracts entered into for the construction, renovation or purchase of Bond-financed facilities. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 5.4. Each applicable Campus Representative shall maintain records of expenditure reimbursements incurred prior to issuing Bonds for facilities financed with Bond proceeds. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 5.5. Each applicable Campus Representative shall maintain a list or schedule of all Bond-financed facilities or equipment. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 5.6. Each applicable Campus Representative shall maintain documentation that tracks purchases and sale of Bond-financed assets. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 5.7. Each applicable Campus Representative shall maintain a list of all contracts with third parties relating to the use and operation of Bond financed facilities, including particularly, without limitation, those agreements described in Section 6.3 of this Manual. Each applicable Campus Representative shall present to the Responsible Person a copy of any proposed contracts and amendments to any existing contracts for the use and operation of the Bond financed facilities. Such contracts shall not be signed until approved by the Responsible Persona. A copy of all contracts along with a list of Bond financed facilities shall be continuously maintained by the applicable Campus Representative in a file to be marked "Bond Project Contracts."

The Responsible Person may engage bond counsel from time to time to render advice on proposed contracts and amendments to existing contracts. Where necessary, the Responsible Person may request and receive a written opinion of bond counsel that the proposed contract or amendment to existing contract will not cause the outstanding Bonds to lose their tax-exempt status for federal income tax purposes. If bond counsel is unable to provide the opinion set forth in the preceding sentence, the Responsible Person will discuss with bond counsel whether any remedial action may be taken under the Internal Revenue Code and related regulations, including U.S. Treasury Regulation §1.141-12, that would permit the contract to be entered into without adversely affecting the tax-exempt status of the Bonds that financed the applicable property.

Section 6. Private Business Use

- 6.1. Each applicable Campus Representative shall maintain records of all private trade or business activities by the System allocated to Bond-financed facilities. Such

documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.

- 6.2. Each applicable Campus Representative shall maintain records of trade or business activities by third parties that are allocated to Bond-financed facilities. Such documentation shall be maintained for the time period as stated in Section 3.1 of this Manual.
- 6.3. Each applicable Campus Representative shall maintain records of the following agreements with respect to the Bond-financed property for the time period as stated in Section 3.1 of this Manual:
 - a. Management and other service agreements;
 - b. Research contracts;
 - c. Naming rights contracts;
 - d. Ownership;
 - e. Leases;
 - f. Subleases;
 - g. Leasehold improvement contracts;
 - h. Joint venture arrangements;
 - i. Limited liability corporation arrangements; and
 - j. Partnership arrangements.

Section 7. Continuing Disclosure Compliance

- 7.1 The Responsible Person shall assist the Campus Representatives to ensure that the Board complies with its continuing disclosure obligations relating to its Bonds. The Campus Representative shall maintain a record of all required continuing disclosure filings for a period of five (5) years. The Campus Representative will copy the Responsible Person on all correspondence and submissions in relation to the annual disclosure requirements.

Section 8. Campus Representatives

- 8.1 In order to meet his or her responsibilities under this Manual, the Responsible Person must receive assistance and cooperation from representatives of the campus of the System for which Bonds were issued. The ASU System President and the Responsible Person shall designate responsible persons from each campus (the "Campus Representatives"), and such Campus Representatives will assist the Responsible Person in fulfilling the policies and purposes of this Manual.
- 8.2 The initial Campus Representatives for each campus of the System are included in Appendix 2.

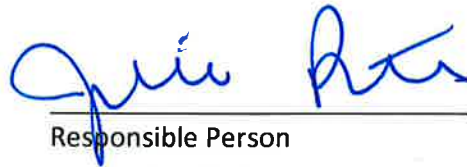
Section 9. Voluntary Closing Agreement Program

- 9.1. The Voluntary Closing Agreement Program of the IRS provides issuers of tax-exempt bonds with a vehicle to resolve violations of the Internal Revenue Code and related regulations.
- 9.2. If the Board identifies a violation of federal tax law with respect to its Bonds, the Responsible Person or the applicable Campus Representative will notify bond counsel and submit a request to the IRS to have such violation resolved under the Voluntary Closing Agreement Program.
- 9.3. Information about the Voluntary Closing Agreement Program is available on the Tax-Exempt Bond Community page at www.irs.gov. The Responsible Person shall annually review this information.

Dated: January 1, 2023



ASU System President



Responsible Person

Campus Representative Certification

As Campus Representative for ASU Mid-South, I have read and understand the above procedures.



Campus Representative

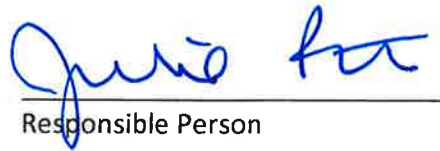
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Dated: January 1, 2023



ASU System President



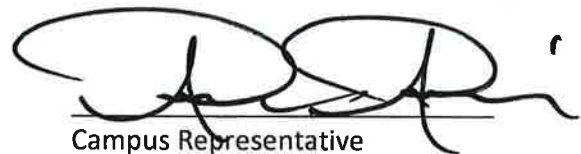
Responsible Person

Campus Representative Certification

As Campus Representative for

ASU-Newport

I have read and understand the above procedures.



Campus Representative

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Dated: January 1, 2023


ASU System President


Responsible Person

Campus Representative Certification

As Campus Representative for ASU - Mountain Home, I have read and understand the above procedures.


Campus Representative

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Dated: January 1, 2023


ASU System President


Responsible Person

Campus Representative Certification

As Campus Representative for ASU- Beebe, I have read and understand the above procedures.


Campus Representative

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Dated: January 1, 2023


ASU System President


Responsible Person

Campus Representative Certification

As Campus Representative for Arkansas State University - Jonesboro have read and understand the above procedures.



Campus Representative

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Dated: January 1, 2023


ASU System President


Responsible Person

Campus Representative Certification

As Campus Representative for Henderson State University David H. Strickland, I have read and understand the above procedures.


Campus Representative

APPENDIX 1: ASU SYSTEM POLICY

Effective Date: May 15, 2009

Subject: Bond financing Post-Issuance Compliance

1. Purpose

Arkansas State University System campuses utilize bonds to finance construction and other projects. After bonds are issued, it is necessary to monitor the status of the bonds and ensure compliance with the financing documents and applicable laws.

2. Arkansas State University Bond Financing Post-Issuance Compliance Policy

Each campus in the Arkansas State University System shall designate a bond financing post-issuance compliance officer.

3. Process

The duties of the bond financing post-issuance compliance officer are as follows:

- Assure that tax-exempt bond proceeds are spent on the projects specified within the financing documents;
- Maintain appropriate documentation for allocations of bond-financing proceeds to expenditures and copies of requisitions, draw schedules, invoices, bills, and cancelled checks related to bond proceeds spent during the construction period;
- Assure that bond proceeds are spent within the timeline provided by the Internal Revenue Service (IRS) guidelines for tax-exempt financing;
- Assure that the IRS private use limitations are maintained for the life of the financing;
- Provide for arbitrage yield calculations and monitor any restrictions, and assure compliance with IRS regulations; and
- Provide timely reporting.

(Adopted by the Board of Trustees on May 15, 2009, Resolution 09-19)

APPENDIX 2: ASU System Campus Representatives

- 1) Arkansas State University-Jonesboro: Mr. Russ Hannah, Associate Vice Chancellor for Finance and Administration;
- 2) Arkansas State University-Beebe: Mr. Roger Moore, Vice Chancellor for Finance and Administration;
- 3) Arkansas State University-Mountain Home: Ms. Wayna Dockins, CFO;
- 4) Arkansas State University-Newport: Mr. Adam Adair, Executive Vice Chancellor/CFO;
- 5) Arkansas State University Mid-South: Ms. JaNan Abernathy, Vice Chancellor for Finance and Administration; and
- 6) Henderson State University: Ms. Bernadette Hinkle, Vice Chancellor for Finance and Administration.

Dated: January 1, 2023