SUBJECT: Bond Compliance Policy

Tax-advantaged bonds are bonds that receive preferential tax treatment. These bonds, issued by or on behalf of state or local governments, are subject to applicable federal tax requirements both at the time of issuance and for so long as the bonds remain outstanding. An issuer’s failure to comply with any applicable federal tax requirement with respect to tax-advantaged bonds jeopardizes the preferential tax status of those bonds.

The IRS and our bond counsel both suggest that issuers adopt written procedures, applicable to all bond issues, which go beyond reliance on tax certificates included in bond documents provided at closing. Sole reliance on the closing bond documents may result in procedures insufficiently detailed to prevent non-compliance.

In the event of non-compliance, issuers that have adopted written procedures receive more favorable IRS treatment in resolving its violation than if the issuer had not implemented written procedures. A draft Compliance Policy (Attachment I) has been recommended by our bond counsel.

The attached policy has been reviewed by BOR legal counsel, our bond counsel, the campus finance vice presidents, the BOR Finance Director, and COPS.

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Recommend approval.
SOUTH DAKOTA BOARD OF REGENTS

Policy Manual

SUBJECT: Bond Compliance and Management

The South Dakota Board of Regents (the “Issuer”) issues bonds (collectively, “Bonds”) to finance and refinance capital projects (each a “Project”) for the Issuer. This Bond Compliance and Management Policy (this “Policy”) provides guidelines and procedures (the “Procedures”) for issuance and post-issuance compliance in connection with Bond transactions. This Policy is only for the benefit of the Issuer. No other person (including an owner of a Bond) may rely on the Procedures included in this Policy.

1. Bonds Subject to this Policy
   A. Attached hereto as Appendix A is a list of the Issuer’s outstanding Bonds. The Issuer has designated the Director of Finance as the Compliance Officer (the “Compliance Officer”) who will update this list of the Issuer’s outstanding Bonds whenever Bonds are issued and whenever an issue of Bonds subject to this Policy is fully retired. If payments on the Bonds are provided for by an escrow, such Bonds should remain on the list for purposes of tax compliance for three years after the Bonds are paid in full.

2. Facilities/Assets Subject to this Policy
   A. Attached hereto as Appendix B-1 is a list of the facilities and assets financed, refinanced or reimbursed with proceeds of the Bonds (collectively, the “Projects” and each, a “Project”) and that are subject to Federal tax restrictions. The Compliance Officer should update these lists as appropriate.

   B. The Issuer and the Compliance Officer recognize that a list of Projects is necessary to track Private Business Use (as defined below and in Appendix D) of Bond-financed facilities. In order to simplify the maintenance of the list, the Compliance Officer may include entire buildings or other facilities even if only partially financed with Bonds. The list for issue of Bonds should be completed within a reasonable period after the final allocation of Bond proceeds is made. In the case of refunding Bonds, the list of Projects should include the list of assets financed or refinanced by the refunded Bonds.

   1) “Private Business Use” means any use of Bond-financed property by any person other than a state or local government unit, including as a result of (i) ownership, (ii) actual beneficial use pursuant to a lease or a management,
service, incentive payment, research or output contract of (iii) any other similar arrangement, agreement or understanding, whether written or oral, except for use of Bond-financed property on the same basis as the general public. Private Business Use includes any formal or informal arrangement with any person other than a state or local governmental unit that conveys special legal entitlements to any portion of Bond-financed property that is available for use by the general public or that conveys to any person other than a state or local governmental unit any special economic benefit with respect to any portion of the Bond-financed property that is not available for use by the general public. Use by a natural person not engaged in any trade or business is not Private Business Use. Any use by the federal government or by a corporation is Private Business Use.

2) Examples of common uses of Bond-financed property that may create Private Business Use include the following:

   a. Management contracts with private companies or individuals to manage all or a portion of a Bond-financed facility (e.g., a contract with a private company to manage a Bond-financed cafeteria, convention center, recreation center, etc.)

   b. A lease of space in a Bond-financed building to a non-governmental person (e.g., a lease of space in a Bond-financed building to Starbucks or McDonalds)

   c. Rental arrangements whereby individuals, non-profit organizations or private businesses rent space in a Bond-financed facility

   d. Research grant agreements.

3) There are certain exceptions to Private Business Use. For example, a “qualified management contract” following certain guidelines set forth in Revenue Procedure 97-13 does not create Private Business Use. In addition, under appropriate circumstances, short-term rentals and other uses of up to 50 days (or in some cases 100 days or 200 days) are permitted.

3. Assignment of Responsibility to Staff; Creation of Compliance Committee

   A. The Issuer designates the Compliance Officer as having responsibility to keep all records required to be kept by the Issuer under this Policy, to make all reports to the Issuer required by this Policy, and to otherwise assure that all actions required of the Issuer hereunder be taken in a timely manner. The Compliance Officer may further delegate certain tasks to other officers, employees or agents of the Issuer. Such delegation shall not relieve the Compliance Officer from responsibility to
assure that all tasks assigned to the Compliance Officer hereunder are completed in a timely fashion.

B. The Issuer hereby establishes the Compliance Committee comprised of the Compliance Officer, the System Vice-President of Finance and Administration, and General Counsel to oversee compliance with the requirements of the Internal Revenue Code and U.S. Treasury Regulations and the federal securities laws relating to Bond transactions, as well as to ensure adequacy of the Issuer’s primary and secondary disclosure filings. The Issuer hereby delegates its responsibility to ensure such compliance to the Compliance Committee.

4. General Bond Issuance Matters

A. Bond Documents: Covenants; Ongoing Requirements

1. In connection with each Bond transaction, the Compliance Committee and Bond Counsel shall cause a review of all of the Bond documents to be made to determine (i) the ongoing covenants of the Issuer in connection with the Bonds (for example, maintenance of a rate covenant; maintenance of insurance on Project facilities, and compliance with restrictions on transfer or encumbrance of property); (ii) ongoing requirements for filings (for example, filings of financial statements) to be made with trustees, underwriters, rating agencies, bond insurers or other parties, and the timing for, or the events that would trigger, such filings; and (iii) any other ongoing requirements as set forth in the Bond documents.

2. If deemed necessary by the Compliance Officer, the Compliance Officer may work with Bond Counsel to develop a summary of a Bond transaction that includes the key components and ongoing requirements of the transaction, including in particular any unique post-issuance requirements (for example, any requirement for approval by a bond insurer), as well as a comparison of such requirements to those in existing documents. The Compliance Officer should endeavor to keep all Issuer covenants and requirements for new issues as consistent as possible with those in existing transactions, for ease of administration, as the Compliance Officer considers to be in the best interests of the Issuer.

3. As part of the annual review to be conducted as described below, the Compliance Committee shall annually determine or cause to be determined whether each issue of Bonds is in compliance with the covenants and other ongoing requirements applicable to such issue under the related Bond documents. The annual report shall state whether the Issuer is in compliance with such covenants and ongoing requirements, and specify any actions to be taken to remedy any noncompliance.

B. Annual Review and Reporting
1. Annual Review

The Compliance Committee shall not later than August 1st of each year conduct an annual review with respect to the most recent full fiscal year of the Issuer, which annual review shall consist of the following:

a. verify that the Compliance Officer has all Undertakings (defined below) and the tax records set forth in Part 6-G – “Records to be Maintained.”

b. review each of the provisions of this Policy and assess general compliance with such provisions during the year;

c. conduct the reviews required pursuant to Parts 4, 5, and 6; and

d. consult with other staff, counsel, the Issuer’s financial advisor and other appropriate professionals to (i) evaluate the effectiveness of this Policy and (ii) solicit and consider recommendations for improvements to the Policy.

2. Annual Reporting

Upon completion of the annual review, the Compliance Committee shall prepare an annual written report and, except as otherwise provided below, shall present the matters set forth in such report to the South Dakota Board of Regents (the “Governing Body”) no later than September 15th of each year. Such written report shall consist of the following:

a. A statement as to whether all required records are in the possession of the Compliance Officer;

b. A brief description of overall compliance with the provisions of this Policy;

c. The reports required pursuant to Parts 4, 5, and 6; and

d. The results of the Compliance Committee’s consultation with other staff, counsel, the Issuer’s financial advisor and other appropriate professionals to evaluate the effectiveness of this Policy, including recommendations for improvements to this Policy.

5. Securities Law Compliance

A. The Issuer has responsibility for the primary and secondary disclosure in connection with the Bonds. The Issuer is committed to ensuring that such disclosure is complete, accurate and timely. All audited financial statements, annual reports, official statements, continuing disclosure filings, rating agency presentations, road shows and other information intended or reasonably expected to
be viewed by investors, rating agencies or the public shall be prepared and disseminated on a timely basis in compliance with the following, which are collectively referred to as the “Disclosure Standards”: (i) the anti-fraud provisions of federal and State of Illinois securities laws (i.e., the information shall not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein not misleading); (ii) the Issuer’s continuing disclosure undertakings (the “Undertakings”) and Bond documents; (iii) applicable standards, rules or guidance promulgated by the Securities and Exchange Commission (SEC); and (iv) with respect to audited financial statements, the Governmental Accounting Standards Board (GASB) (or such other accounting principles as may be applicable to the Issuer in the future pursuant to applicable law).

B. Official Statements

In Bond transactions where it is necessary to prepare an official statement, the Issuer shall adhere to the following disclosure procedures:

1. Preparation – The Compliance Committee shall have the responsibility for causing preliminary (if needed) and final official statements, and any necessary supplements or amendments thereto (collectively, “Official Statements”), to be prepared.

2. Review – The Compliance Committee shall review, comment on and update Official Statements. The Compliance Committee shall be responsible for ensuring all information and data presented with regard to the Issuer and the Projects being financed is complete, accurate and current, including disclosures regarding legislative and regulatory matters applicable to the Issuer.

An Official Statement shall not be publicly disseminated until, in the opinion of the Compliance Officer (following consultation with the financial advisor, bond counsel and the other members of the Compliance Committee), it is in compliance with the Disclosure Standards.

Although prior Official Statements may be used as a template in later transactions, each Official Statement shall be thoroughly reviewed by the Compliance Committee to ensure all information is up-to-date and accurate in all respects and does not omit important information that would be material to potential bondholders.

3. Governing Body Member Review – Each member of the Governing Body should review a substantially final form of each Official Statement prior to its distribution to the public, with particular focus on the information regarding the Issuer, and shall inform the Compliance Office of any information the member believes is not complete or accurate or which has been omitted and should be included. The Compliance Committee may retain the assistance of
professionals, including consultants, disclosure counsel, the financial advisor and the underwriter(s) in preparing and reviewing Official Statements.

C. Continuing Disclosure

If the Issuer has entered into an Undertaking in connection with an issuance of Bonds, the Compliance Officer shall cause to be filed with the MSRB’s Electronic Municipal Market Access system (EMMA) (i) all annual financial information (the “Annual Financial Information”) and audited financial statements (the “Audited Financial Statements”) described in the Undertakings and (ii) notices (the “Reportable Event Disclosures”) of certain enumerated events listed in the Undertakings and in Appendix C hereto (the “Reportable Events”) in accordance with and at the times required by the Undertakings. In this regard, the Issuer, the Compliance Committee and the Compliance Officer shall adhere to the following procedures:

1. The Issuer’s Audited Financial Statements – All Audited Financial Statements of the Issuer shall be prepared in accordance with GASB, shall be audited by a firm of independent auditors, and shall be approved by the Issuer prior to filing. The Issuer will use its best efforts to ensure that the Audited Financial Statements are filed in a timely manner.

2. Reportable Event Filings – As required by SEC’s Rule 15c2-12, the Compliance Officer shall monitor the Reportable Events, and shall cause Reportable Event Disclosures to be made as necessary and within the times required by the Undertakings. The compliance Officer shall consult with the Compliance Committee, the financial advisor and counsel to the extent he deems advisable in connection with each Reportable Event Disclosure.

   No Reportable Event Disclosure filing shall be disseminated unless, in the opinion of the Compliance Officer, such filing complies with the Disclosure Standards.

3. Annual Determination of Reportable Events – As part of the annual review required pursuant to Part 4 (and in connection with each Bond issuance), the Compliance Officer shall cause a review to be made to determine all Reportable Event filings made during the year, and whether a Reportable Event occurred during the year for which appropriate disclosure was not made as required by the Undertakings. If such an event occurred in the preceding year and appropriate disclosure was not made, or if the Annual Financial Information or Audited Financial Statements were not filed in a timely manner, the Compliance Officer shall cause a Reportable Event Disclosure, filing to be prepared and disseminated.

The Compliance Officer will include in the annual report required pursuant to Part 4 a report on each Reportable Event Disclosure filed during the year.
As provided in Part 7 below, the Compliance Officer may obtain the assistance of the financial advisor, a dissemination agent or other professionals to compile, format and disseminate the information and materials necessary to comply with the Issuer’s continuing disclosure responsibilities.

D. Guidelines for Disclosures to the Investor Community

The Issuer is committed to fair disclosure to the investor community in compliance with all applicable securities laws. The SEC has noted that the phrase “speaking to the market” refers to any disclosure by an issuer of municipal securities to the public that is reasonably expected to reach investors and the trading markets (whether or not such disclosure is published for the purpose of providing information to the securities markets). The Issuer understands that officials of the Issuer speaking to the public, even if not for the purpose of releasing financial information to the public, could be deemed to be speaking to the market and therefore subjecting themselves and the Issuer to securities laws violations if such officials make a material misrepresentation or omission in their statements to the public.

The Issuer has established the following policy with respect to disclosure of material non-public information about the Issuer to anyone outside of the Issuer unless it is disclosed to the public at the same time. The only exception is to persons who have previously agreed in writing to maintain confidentiality, as described below.

1. “Material” information is information that a reasonable investor in the Issuer’s Bonds could consider import. Information is “non-public” if it has not been previously released in a way that is designed to reach the investing public, such as filing with EMMA.

Material non-public information can be communicated in many ways, such as:

a. Releases of Audited Financial Statements, including filing of Annual Financial Information or Reportable Events Disclosures and voluntary notices of EMMA

b. Contacts with analysts covering the Issuer

c. Analyst and investor visits

d. Speeches, conferences, panel discussions and interviews with the media

e. Responding to market rumors or news reports of events that could materially affect the financial condition of the Issuer.

2. The Compliance Committee is responsible for determining the content and
timing of any disclosure to the investing public and has primary responsibility for interpreting this Policy with respect to compliance with securities laws and for establishing and implementing procedures to ensure compliance of all communications by employees or officials of the Issuer with the Disclosure Standards.

3. Only the following persons are authorized to disclose material non-public information or other general information relating to the financial condition of the Issuer to the investor community (including analysts, broker-dealers and individual and institutional bondholders):

- Executive Director
- Systems Vice-President of Finance and Administration
- Director of Finance
- General Counsel

Public statements made by other employees and officials of the Issuer are not intended to be, and shall not be, relied upon by members of the investor community. Attached as Appendix E is a form of voluntary disclosure to be filed with EMMA and placed on the Issuer’s website, advising the investor community of this policy.

4. The Compliance Committee has established the following guidelines for disclosure of material information:

a. Filing with EMMA, after approval by the Compliance Officer.

b. Participation in speeches, conferences, panel discussions or media interviews where material non-public information may be disclosed must be reviewed and approved by the Compliance Officer in accordance with these guidelines.

c. Visits by investors, analysts or other financial professionals must be cleared with the Compliance Officer, and statements made during these visits are covered by this Policy.

d. The Issuer’s policy is not to comment on rumors or speculation.

5. The following people may receive material non-public information: the Issuer’s attorneys, accountants, investment bankers, financial advisors and other entities that are subject to confidentiality agreements or are required to maintain confidentiality as a matter of professional responsibility. If an unauthorized disclosure occurs, immediately contact General Counsel.
6. Tax Matters

A. Ensuring the tax exempt or tax advantaged status (the “Tax Status”) of the Bonds is maintained after issuance requires a thorough and ongoing review of the use of the proceeds of the Bonds, the investments purchased with such proceeds and the Projects and their uses, as well as continuing compliance with various requirements, all as provided in the Code.

B. Federal tax law imposes restrictions related to investment and expenditure of Bond proceeds and on the use of facilities financed with Bonds. Compliance with these restrictions is often necessary to maintain the Tax Status of the Bonds. In connection with each issue of tax-exempt Bonds, the Issuer has covenanted or will covenant not to take any action that would cause the interest on the Bonds to become included in the gross income of the holders of the Bonds for federal income tax purposes. In connection with each issue of tax-advantaged Bonds, the Issuer desires not to take any action that would result in the disallowance of any interest payment subsidy or tax credit to the holders of the tax-advantaged Bonds (or to third parties).

C. These Procedures are being adopted by the Issuer to assist the Issuer in fulfilling covenants to maintain the tax-exempt or tax-advantaged status of the Bonds. These Procedures are not intended to diminish or augment those covenants. It is the intention of the Issuer that the Issuer will comply with all applicable Federal tax law requirements and maintain sufficient records to demonstrate such compliance.

D. The Issuer is aware that the Internal Revenue Service (IRS) maintains an active force of revenue agents who examine bond issues for compliance. As a result of such examinations, the IRS may require payment of financial penalties or impose other sanctions to preserve the Tax Status of the Bonds or may declare Bonds to no longer be tax-exempt or tax-advantaged. Any such declaration could result in legal action against the Issuer. To minimize the risk of such occurrence, these Procedures have been adopted to provide a framework for post-issuance compliance. The Issuer is aware that the IRS may take adequate written procedures into account when entering into a settlement with the Issuer and may settle matters on more favorable terms should such settlement be required.

E. Pre-Issuance Review and Analysis

Prior to the issuance of Bonds after the date of the adoption of this Policy, the Compliance Officer shall consult with Bond Counsel regarding the facilities to be financed or refinanced, the actual and expected use of the Projects, the requirements of the Code and any specific tax issues identified by the Compliance Officer or Bond Counsel. The Compliance Officer will work with Bond Counsel to obtain necessary records and documentation, such as tax compliance questionnaires, certificates and opinions of counsel and respect to the expected use
of the Projects and the effect of such use on the Tax Status of the proposed Bonds.

F. Tax Agreements

In each Bond transaction, it is expected that the Compliance Officer shall execute, or review, a tax certificate and agreement, which details the tax requirements relating to the Bonds of that transaction. The Compliance Officer shall refer to and review such tax agreements regularly. Should the Compliance Officer not understand any portion of such tax agreements, the Compliance Officer will seek an explanation from counsel. Under certain circumstances, on the advice of counsel, tax agreements may be amended to clarify (or modify) the tax covenants contained therein. See Part 7 Miscellaneous, “Special Procedures for Special Cases” if no tax agreement is executed in connection with an issue of tax exempt or tax advantaged Bonds.

G. Records to be Maintained

In coordination with the Issuer’s “records officer”, the Compliance Officer shall cause to be maintained the following records for each issue of Bonds:

1. Closing Transcripts – A complete closing transcript of all documents, certificates and legal opinions delivered in connection with the issuance of the Bonds, as provided by Bond Counsel at the time of closing.

2. Investments and Arbitrage Rebate – All documents relating to the investment and disbursement of Bond proceeds:
   a. Account statements showing the disbursements of all Bond proceeds, together with completed requisitions and supporting materials required by the Bond documents;
   b. Account statements showing all investment activity of each account that holds Bond proceeds or amounts for the payment of debt service on Bonds;
   c. Copies of all requests for bids, bid responses, bidding agent or broker’s certificates and other documentation to establish the acquisition at a fair market value of
      (i) All investments of Bond proceeds and moneys for the payment of debt service, and
      (ii) Any swaps, options, or other financial derivatives entered into with respect to any Bonds;
   d. Copies of any subscriptions for the purchase of U.S. Treasury Obligations of the State and Local Government Series (SLGS);
e. All calculations of yield restriction compliance; and

f. All calculations of arbitrage rebate liability that is or may become due with respect to any series of Bonds (including calculations showing that no arbitrage rebate is due), together with, if applicable, account statements or cancelled checks showing the payment of any rebate amounts to the U.S. Treasury together with any applicable IRS Form 8038-T or Form 8038-R.

3. Private Business Use – Copies of all significant contracts and agreements of the Issuer, including any leases, management contracts, research agreements, concessions, or service contracts, with respect to the use of any property owned by the Issuer and acquired or financed with the proceeds of Bonds (excluding arm’s length contracts covering 50 or fewer days). The Compliance Officer shall cause such contracts to be reviewed either by staff of the Issuer, Bond Counsel or an outside consultant (i) to determine if such contracts cause any Private Business Use of such facilities, or (ii) if the Compliance Officer cannot reasonably determine whether such contract causes Private Business Use. If any such contract is determined to cause Private Business Use of a Project, the Compliance Officer should determine or cause to be determined for each year, the percentage of such facility so privately used. Such determination may be made in consultation with counsel or other consultants. See Appendix D, “Private Business Use.”

4. Actions under These Procedures – The Compliance Officer shall retain all records, reports, memoranda and other documents and correspondence relating to these Procedures or actions taken under the Procedures.

5. Correspondence with the Internal Revenue Service – The Compliance Officer shall retain all records of contact with the IRS, including filings, examinations, voluntary closing agreement requests or private letter rulings.

6. Retention of Records for Three Years Past Final Payment – Notwithstanding any other policy of the Issuer, each of the records described above shall be maintained for at least as long as the Bonds relating to such records (including refunding Bonds) are outstanding, plus three years, and for such longer period as may be required by any applicable law or regulation.

H. Arbitrage Compliance

1. The Compliance Officer shall be responsible for ensuring that payment is made to the U.S. Treasury of all arbitrage rebate installments and payments when due. The Compliance Officer shall engage such professional arbitrage rebate consultants as he shall deem necessary to prepare or assist in such computations. The Compliance Officer shall consult with Bond Counsel, the financial advisor and the arbitrage rebate consultant regarding which actions
are necessary to comply with the arbitrage restrictions and arbitrage rebate requirements of the Code. Taking into account any applicable exemptions from the arbitrage rebate requirement for each issue of Bonds, the Compliance Officer shall cause computations to be made annually and as otherwise required, of the accrued arbitrage rebate amount with respect to each issue of Bonds.

2. If and to the extent that any Bond proceeds are or become subject to a yield restriction requirement, the Compliance Officer shall be responsible for investing such proceeds at not in excess of the permitted yield and for making any yield reduction payments to the U.S. Treasury as are necessary to maintain the Tax Status of interest on the affected Bonds. See Appendix D, “Arbitrage and Arbitrage Rebate” and “Yield Restriction and Yield Reduction Payments.”

I. Expenditure of Bond Proceeds

1. Use of Bond Proceeds – For each issue of Bonds, the Compliance Officer shall review all expenditures of Bond proceeds and the purpose for such expenditures, as and when such expenditures occur, to ensure that such expenditures comply with the tax requirements applicable to such issue of Bonds. See Appendix D, “Gross Proceeds.”

2. Timing of Expenditures – The Compliance Officer shall monitor the timing and amount of the expenditure of each issue of Bonds, as and when such expenditures occur, to comply (i) if applicable, with any exceptions from arbitrage rebate relating to such issue of Bonds and (ii) any other requirements relating to the expenditure of the proceeds of such issue of Bonds.

3. Allocations of Bond Proceeds to Expenditures – The Compliance Officer shall compile an allocation of all Bond proceeds and earnings thereon to particular expenditures. The Compliance Officer will only allocate expenditures to expenditures that meet all of the requirements of the application Bond documents. The Governing Body and the Compliance Officer understand that such allocations need not follow a direct tracing of Bond proceeds and may be changed up to 18 months after the date of the expenditure to which such proceeds were or will be allocated or, if later, the date the Project financed by the Bonds is placed in service. In no event may such reallocation be made after the date that is 60 days after the fifth anniversary of the issuance date of the Bonds, or 60 days after the retirement in full of all the Bonds of the issue, if earlier. Such allocations may include allocations to expenditures made prior to the issuance of the Bonds in accordance with the applicable reimbursement rules in the Regulations. At such time as the Compliance Officer determines that there will be no additional expenditures of Bond proceeds (other than proceeds in a debt service reserve fund, if any) and that the Issuer will not or cannot reallocate such proceeds to expenditures because the time limits set forth above have expired, the Compliance Officer shall declare such allocation
to be a final allocation of Bond proceeds to expenditures. The Compliance Officer shall maintain all such allocations of proceeds to expenditures, including any final allocations, with the records it must maintain.

J. Use of Projects

In order to maintain the Tax Status of Bonds, the Compliance Officer will monitor the use of any Project to comply with restrictions on use of a Project by persons other than the Issuer as set forth in the tax agreements for the Bonds. For example, the following is a list of typical restrictions. It is not comprehensive and the Compliance Officer should reference the tax agreements for a complete description of such restrictions.

1. Users of a Project, other than state or local governmental units, shall not use more than 10% of the facilities financed by any one issue of Bonds, on any basis other than the same basis as the general public. Any use of any portion of a Project by any person or entity other than the Issuer shall be discussed with Bond Counsel.

2. No portion of the Project shall be sold or otherwise disposed of or leased; no management contract, concession or contract for naming rights will be entered into relating to a Project; and no other “special legal entitlement” (i.e. preferential access to or use of a Project) relating to the Project shall be granted to an individual or entity (other than a state or local governmental unit), without prior review by Bond Counsel to ensure that such action complies with the tax agreement applicable to such issue of Bonds and will not affect their Tax Status.


5. The Compliance Officer and the Issuer recognize there are many situations under which Private Business Use is permitted to exceed the limits described above without violating tax covenants. The Issuer and the Compliance Officer may permit such Private Business Use to exceed the 10% limit described above if permitted by all applicable tax agreements or Bond Counsel provides advice that allows such use.

Typically, the Projects financed or refinanced by the Issuer are auxiliary system, educational, and administrative facilities. As such, private business use of the Projects is generally determined by the terms of any contracts (including research contracts, leases, management contracts and food service contracts) entered into by the Issuer for the use of all or a portion of the Projects. The Compliance Officer
will work with Bond Counsel to obtain necessary records and documentation demonstrating that the use of planned use of a Project complies with all applicable tax requirements. See also “Records to be Maintained – Private Business Use above and Appendix D, “Private Business Use.”

If the Compliance Officer becomes aware of any use of Projects that could affect the Tax Status of Bonds, the Compliance Officer will consult with counsel to determine any potential tax consequences for the Bonds.

The Issuer and the Compliance Officer recognize that if private business use or non-qualified use of Projects exceeds the limits provided in the Bond documents, a remedial action may be required in accordance with the Code. In such event, the Compliance Officer shall prepare, or direct Bond Counsel to prepare, a memorandum describing any required remedial action and shall report to the Compliance Committee. See Appendix D, “Remediation.”

6. Action on the Discovery of a Potential Violation

a. Reallocation – The Issuer and the Compliance Officer recognize that, in limited circumstances, if there is a failure to spend Bond proceeds properly, such Bond proceeds can be allocated to qualified costs that may be financed with Bond proceeds, provided that such reallocation occurs within specified time frames. If the Compliance Officer determines that a failure to spend Bond proceeds on qualified costs has occurred, the Compliance Officer will (with the aid of counsel or other consultant or staff of the Issuer) determine if a reallocation of Bond proceeds is possible. If the Compliance Officer decides to make such a reallocation, the Compliance Officer shall prepare (or cause to be prepared) a document describing such reallocation and the effect of such reallocation. The lists of Bond-Financed Property in Appendix B-1 and Appendix B-2 shall be revised, if necessary, as a result of such reallocations.

b. Remediation – The Issuer and the Compliance Officer recognize that if, among other things, there is a failure to use Bond proceeds properly, a failure to spend all Bond proceeds, or a disposition of a Project or Private Business Use of a Project in excess of allowed limits, a remedial action may be required in accordance with the Code and the Regulations. The Compliance Officer should (with the aid of counsel or other consultant or staff of the Issuer) determine if such remedial actions are required and possible. The Compliance Officer should prepare or cause to be prepared a memorandum describing any such remedial action or proposed remedial action. The memorandum should describe whether such remedial action will serve to cure any particular tax law violation. The memorandum should include a full description of such required actions of the Issuer and the effect of such remedial action. A copy of any such memorandum shall be given by the Compliance Committee. The lists of Bond-Financed
Property in Appendix B-1 and Appendix B-2 shall be revised, if necessary, as a result of such remedial action.

c. Voluntary Closing Agreement Program – The Issuer recognizes that if Private Business Use exceeds the limits provided in the Bond documents and remedial action is not undertaken (or is not possible) or if another violation of the covenants of the Issuer necessary to maintain the Tax Status of Bonds occurs, then it may be necessary or advisable for the Issuer to enter into a voluntary closing agreement with the Internal Revenue Service pursuant to the Tax Exempt Bonds Voluntary Closing Agreement Program described in Treasury Notice 2008-31 or any successor guidance (the “VCAP Program”). See Appendix D, “Voluntary Closing Agreement Program.” The Compliance Officer shall (in consultation with counsel) determine if a voluntary closing agreement is appropriate.

The Compliance Officer shall prepare or cause to be prepared a memorandum describing any proposed application for a voluntary closing agreement and any proposed voluntary closing agreement. The memorandum shall describe whether the voluntary closing agreement will serve to cure any particular tax violation and the nature of such violation. If any actions are required by the Issuer for such voluntary closing agreement application, the memorandum shall include a full description of such required actions. A copy of any such memorandum shall be provided to the Compliance Committee.

Following the execution of any voluntary closing agreement, the Compliance Officer shall prepare a report describing the effect of such closing agreement. The lists of Bond-Financed Property in Appendix B-1 and Appendix B-2 may need to be revised as a result of such closing agreement and, if so, the Compliance Officer should so revise the lists.

K. Annual Tax Compliance Review

1. As part of the Compliance Committee’s annual review to be completed as provided in Part 4, the Compliance Committee shall conduct a review of the contracts and other records described above under the title “Records to be Maintained” to determine for each issued of Bonds whether each issue of such Bonds complies with the tax requirements applicable to such Bonds (including restrictions on Private Business Use and private loans) and with the other provisions of this Policy.

2. To the extent that any violations or potential violations of tax requirements are discovered, the Compliance Committee shall make recommendations or take such other actions as the Compliance Committee shall reasonable deem necessary or appropriate to assure the timely correction of such violations or potential violations through remedial actions described in the Code or
regulations, or in the VCAP Program.

L. Tax Compliance Reporting

The Compliance Committee’s written report required pursuant to Part 4 shall set forth the results of the annual tax compliance review as provided above. The report shall address compliance with the requirements of this Part 6, any accrued arbitrage rebate liability of the Issuer, and arbitrage rebate payments made to the U.S. Treasury and any other matters affecting the Tax Status of the Bonds.

1. Action on IRS Contract

a. Examination of Bonds – The Issuer and the Compliance Officer recognize that the IRS or another regulatory entity may undertake an examination of Bonds. In the event that the Issuer is notified of such an examination, the Issuer shall as quickly as possibly notify the Compliance Officer, and the Compliance Officer shall promptly inform the Compliance Committee. The Compliance Committee should coordinate the defense of such examination and should determine if counsel should be hired and, if so, which counsel. Except to the extent that the Issuer determines that another party should undertake a response, the Compliance Officer will be responsible for compiling answers to any information or document request that might be presented to the Issuer as a result of such examination. If an examination cannot be closed without a closing agreement, the Compliance Officer should use reasonable efforts to reach an acceptable closing agreement with such regulatory agency and to obtain all required Issuer approvals of such closing agreement.

Regardless of how an examination of the Bonds is closed, the Compliance Officer should retain all communications with the IRS or other regulatory agency relating to such examination among the records kept under the Procedures (Recordkeeping.)

b. Compliance Checks – The IRS and other regulatory agencies may conduct compliance checks from time to time. As part of such compliance check, the IRS or another regulatory agency may send questionnaires to the Issuer. The Compliance Officer may, if authorized, hire counsel to assist in the response to a compliance check. The Compliance Officer should advise the Compliance Committee or any such compliance check promptly after receiving notice thereof.

M. Applicability of this Part 6

If, in consultation with Bond Counsel, the Compliance Officer determines that any of the provisions of the Part 6 shall not apply to a particular issue of Bonds, the Compliance Officer shall document such determination and shall not be required to
comply with such provision(s).

7. Miscellaneous

A. Professionals

The Issuer is a regular issuer of Bonds. Accordingly, the Issuer shall retain the regular services of nationally recognized bond counsel. The Issuer shall also retain the services of a financial advisor in connection with each Bond transaction. The Issuer may also retain the services of other professionals, including special counsel, trustees, paying agents and escrow agents, on a transaction-by-transaction basis, as deemed necessary by the Compliance Officer. The selection of financial advisors, bond counsel and all other professionals shall be authorized and approved by the Issuer.

The Compliance Committee and other Issuer officers and employees may utilize the services of such professionals in connection with the execution of any of their responsibilities under this Policy.

B. Training

1. The Compliance Officer and designated staff and the other members of the Compliance Committee shall participate in such continuing professional education courses and seminars in public finance, debt management and related topics as necessary or appropriate to ensure a sufficient level of knowledge and training for the effective administration of, and compliance with, this Policy.

2. The Compliance Officer will provide copies of Bond documents and this Policy to other staff members who may be responsible for taking actions described in the Bond documents and in particular to any person who is to be a successor Compliance Officer. The Compliance Officer will assist in the education of any successor Compliance Officer and the transition of the duties under this Policy.

3. The Compliance Officer should undertake to maintain a reasonable level of knowledge concerning the rules related to tax-exempt and tax-advantaged bonds so that he or she may fulfill his or her duties hereunder. The Compliance Officer may consult with counsel, attend conferences and presentations of trade groups, read material posted on various web sites, including the web site of the Tax-Exempt Bond function of the IRS, and use other means to maintain such knowledge. Recognizing that the Compliance Officer may not be fully knowledgeable in this area, such officer may consult with in-house or outside counsel, consultants and experts to assist in exercising his or her duties under these Procedures. The Compliance Officer should coordinate appropriate training and education of other personnel of the Issuer.

4. The Compliance Officer should review the Bond documents and these
Procedures periodically to determine if there are portions that need further explanation and, if so, will attempt to obtain such explanation from counsel or other experts or consultants or staff.

C. Additional Records

The Compliance Officer shall cause to be maintained all records, in addition to those described in Part 6 above, necessary to demonstrate the Issuer’s compliance with this Policy.

D. Changes to the Policy

The Procedures contained herein may be revised and amended from time to time as the Governing Body and the Compliance Officer deem necessary to comply with the requirements of the Code or the securities laws. The Governing Body and the Compliance Officer may, from time to time and upon the issuance of new Bonds, contact counsel to determine whether the Procedures contained herein adequately address the post-issuance responsibilities of the Issuer as required by the Code and the securities laws.

E. Specific Procedures for Special Cases

The Procedures contained herein specifically address post-issuance compliance procedures with respect to tax-exempt governmental bonds issued for capital projects under Section 103 of the Code, build America bonds issued under Section 54AA of the Code and recovery zone economic development bonds issued under Section 1400U-2 of the Code. The Governing Body and the Compliance Officer recognize that these Procedures may be inadequate for other types of tax-exempt obligations, tax-credit or direct pay obligations (other than build America bonds), for which additional procedures may be required. In addition, occasionally the Issuer will enter into financing agreements or leases for equipment the interest on which is intended to be tax-exempt but for which no tax certificate and agreement exists. In the event that the Issuer enters into such equipment financings or issues private activity tax-exempt obligations, tax-exempt obligations funding a significant amount of working capital, tax-credit bonds, or direct pay bonds, or if the Governing Body receives an indication from counsel that additional procedures are required, or if the Issuer enters into any derivative products, these Procedures should be revised to reflect any special rules and requirements and post-issuance responsibilities applicable to such type of tax advantaged obligations and derivative products.

F. Authorization and Expense

This Policy is not intended to provide authorization to the Compliance Officer to enter into contracts for service or to spend Issuer funds. To the extent that the compliance Officer determines that such contracts or expenditures are desirable
and are not otherwise authorized, the Compliance Officer should obtain such authorization before entering into such contracts and spending such Issuer funds.

APPENDIX A

LIST OF BONDS

<table>
<thead>
<tr>
<th>NAME OF ISSUE</th>
<th>DATE OF ISSUANCE</th>
<th>FINAL MATURITY DATE</th>
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<td>November 23, 2004</td>
<td>April 1, 2029</td>
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<td>Series 2005A</td>
<td>December 21, 2005</td>
<td>April 1, 2030</td>
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<td>SDBA Series 2005C</td>
<td>July 28, 2005</td>
<td>September 1, 2029</td>
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<td>Series 2006</td>
<td>December 6, 2006</td>
<td>April 1, 2026</td>
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<tr>
<td>SDBA Series 2006A</td>
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<td>September 1, 2026</td>
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<tr>
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<td>December 19, 2007</td>
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<td>June 13, 2007</td>
<td>June 1, 2032</td>
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<td>June 1, 2033</td>
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<tr>
<td>Series 2008A</td>
<td>April 7, 2008</td>
<td>April 1, 2028</td>
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<tr>
<td>Series 2008B</td>
<td>November 4, 2008</td>
<td>April 1, 2028</td>
</tr>
<tr>
<td>Series 2009</td>
<td>May 28, 2009</td>
<td>April 1, 2039</td>
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<td>June 1, 2034</td>
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<tr>
<td>SDBA Series 2010A (Taxable)</td>
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<td>June 1, 2027</td>
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<td>SDBA Series 2010B (Taxable)</td>
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<td>June 1, 2026</td>
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<td>Series 2013A</td>
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<td>SDBA Series 2013B</td>
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<td>June 1, 2038</td>
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<tr>
<td>SDBA Series 2013C (Taxable)</td>
<td>November 14, 2013</td>
<td>June 1, 2018</td>
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<tr>
<td>Series 2014A</td>
<td>January 9, 2014</td>
<td>April 1, 2039</td>
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### APPENDIX B-1

**LIST OF BOND-FINANCED PROPERTY**

<table>
<thead>
<tr>
<th>DESCRIPTION OF THE PROPERTY</th>
<th>LOCATION</th>
<th>FINANCED WITH</th>
<th>FACILITY COST</th>
<th>PAR OF BONDS</th>
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<tbody>
<tr>
<td>Humbert Hall</td>
<td>BHSU</td>
<td>Auxiliary System Bonds</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Heidepriem Hall</td>
<td>BHSU</td>
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<td>N/A</td>
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<td>Pangburn Hall</td>
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<td>BHSU</td>
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<td>N/A</td>
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<td>University Apartments</td>
<td>BHSU</td>
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<td>Student Union</td>
<td>BHSU</td>
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<td>Parking Facilities</td>
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<td>Dining Services</td>
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<td>$1,250,000</td>
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<td>DSU</td>
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<td>Building Name</td>
<td>University</td>
<td>Bond Type</td>
<td>Series Year</td>
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<td>SDSMT</td>
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B-1-3
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<th>Project Description</th>
<th>Institution</th>
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<th>Refunding Cost</th>
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<td>Shepard Hall Renovation/Replacement</td>
<td>SDSU</td>
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<td>Headhouse/Greenhouse</td>
<td>SDSU</td>
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<td>SDBA Series 2013</td>
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<td>Coyote Village Housing, including parking lot</td>
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<td>Churchill/Haines Building</td>
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<td>Science/Health/Research Laboratory</td>
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<tr>
<td>Sports Performance &amp; Enhancement Facility</td>
<td>USD</td>
<td>SDBA Series 2013</td>
<td>$53,623,380</td>
<td>$22,700,000</td>
</tr>
<tr>
<td>GEAR Building</td>
<td>Sioux Falls</td>
<td>SDBA Series 2006A</td>
<td>$6,760,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Classroom Building – University Center</td>
<td>Sioux Falls</td>
<td>SDBA Series 2007</td>
<td>$15,000,000</td>
<td>$7,700,000</td>
</tr>
<tr>
<td>Science &amp; Tech Building – University Center</td>
<td>Sioux Falls</td>
<td>SDBA Series 2010B</td>
<td>$10,530,172</td>
<td>$8,970,000</td>
</tr>
<tr>
<td>Classroom Building - University Center</td>
<td>Rapid City</td>
<td>SDBA Series 2009 Taxable</td>
<td>$13,585,000</td>
<td>$13,585,000</td>
</tr>
</tbody>
</table>
### APPENDIX B-2

**LIST OF DISPOSED BOND-FINANCED PROPERTY**

<table>
<thead>
<tr>
<th>DESCRIPTION OF THE PROPERTY</th>
<th>FORMER LOCATION</th>
<th>DATE OF DISPOSAL</th>
<th>MANNER OF DISPOSAL</th>
<th>SALE PRICE</th>
<th>PERSON TO WHOM SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

B-2-1
APPENDIX C

LIST OF REPORTABLE EVENTS

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material*
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material* notices or determinations with respect to the tax status of the security, or other material* events affecting the tax status of the security
7. Modifications to the rights of security holders, if material*
8. Bond calls, if material*, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material*
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer**
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material*
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material*

* As materiality is interpreted under the Securities Exchange Act of 1934, as amended.

** This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.
APPENDIX D

GLOSSARY OF TAX TERMS

Private Business Use

“Private Business Use” means any use of Bond-financed property by any person other than a state or local government unit, including as a result of (i) ownership, (ii) actual or beneficial use pursuant to a lease or a management, service, incentive payment, research or output contract or (iii) any other similar arrangement, agreement or understanding, whether written or oral, except for use of Bond-financed property on the same basis as the general public. Private Business Use includes any formal or informal arrangement with any person other than a state or local governmental unit that conveys special legal entitlements to any portion of Bond-financed property that is available for use by the general public or that conveys to any person other than a state or local governmental unit any special economic benefit with respect to any portion of the Bond-financed property that is not available for use by the general public. Use by a natural person not engaged in any trade or business is not Private Business Use. Any use by the federal government or by a corporation is Private Business Use.

Examples of common uses of Bond-financed property that may create Private Business Use include the following:

- Management contracts with private companies or individuals to manage all or a portion of a Bond-financed facility (e.g., a contract with a private company to manage a Bond-financed cafeteria, convention center, recreation center, etc.)
- A lease of space in a Bond-financed facility to a non-governmental person (e.g., a lease of space in a Bond-financed building to Starbucks or McDonalds)
- Rental arrangements whereby individuals, non-profit organizations or private businesses rent space in a Bond-financed facility
- Research grant agreements.

There are certain exceptions to Private Business Use. For example, a “qualified management contract” following certain guidelines set forth in Revenue Procedure 97-13 does not create Private Business Use. In addition, under appropriate circumstances, short-term rentals and other uses of up to 50 days (or in some cases 100 days or 200 days) are permitted.

Arbitrage and Arbitrage Rebate

Arbitrage generally is the earnings that an issuer will earn when it invests proceeds of the Bonds in investments with a yield above the yield on the Bonds. Generally, an issuer is required to make payments of any arbitrage it earns as a result of the investment of the proceeds of the Bonds above the yield on the Bonds to the IRS, which is known as “arbitrage rebate.” There are
certain exceptions to the requirement to make arbitrage rebate payments to the IRS (e.g., small issuer exceptions, spending exceptions, bona fide debt service fund exceptions).

Yield Restriction and Yield Reduction Payments

Yield restriction is the requirement that an issuer not invest Gross Proceeds (defined below) of the Bonds at a yield higher than Bond yield. Generally, in a capital project financing, an issuer will have a 3-year “temporary period” during which it can invest proceeds of the Bonds in its project fund above the yield on the Bonds. After such time, moneys are yield restricted and cannot be invested above the yield on the Bonds (plus a de minimis percentage). Additionally, after the expiration of the temporary period, proceeds generally cannot be invested in federally guaranteed investments (including FDIC-insured accounts), other than certain de minimis amounts. If an issuer invests amount above the yield on the Bonds after the expiration of a temporary period, it may still be able to achieve yield compliance by making a yield reduction payment to the IRS, which is a rebate payment or any other amount paid to the United States in the same manner as rebate amounts are required to be paid or at such other time or in such manner as IRS may prescribe that will be treated as a reduction in Yield of an investment under the Regulations. Yield reduction payments may only be made in limited circumstances, and do not work for all investments above Bond yield.

Gross Proceeds

“Gross Proceeds” generally means (i) sale proceeds of the Bonds and investment earnings thereon and (ii) amounts reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds. In addition, a pledged fund may also constitute gross proceeds. A pledge is any amount that is directly or indirectly pledged to pay the principal of or interest on the bonds. A pledge by the issuer must provide reasonable assurance that such moneys will be available to pay the debt service on the bonds even if the issuer has financial difficulties. Gross proceeds may also arise if Bonds are outstanding longer than reasonably necessary for their governmental purpose. Typically, Gross Proceeds will be contained in a project fund, escrow fund (if the Bond issue is a refunding issue), costs of issuance fund, bond fund and debt service reserve fund (if applicable).

If moneys or investments are pledged or otherwise set aside for payment of principal or interest on the Bonds, any amounts are derived from the sale of any right that is part of the terms of a Bond or is otherwise associated with a Bond (e.g., a redemption right), or THE ISSUER or the City enters into any agreement to maintain certain levels of types of assets for the benefit of a holder of a bond or any credit enhancement with respect to the Bonds, such amounts may also constitute Gross Proceeds. Further, if any Bond-financed property is sold or otherwise disposed of any amounts received from such sale or other disposition may also constitute Gross Proceeds.

Remediation

The Code prescribes three self-help mechanisms that an issuer may use to remediate non-qualified Bonds as a result of violation of Private Business Use covenants. These include redemption or defeasance of non-qualified bonds, alternative use of a facility (e.g., if a 501(c) (3)
organization leases a Bond-financed municipal facility) or alternative use of disposition proceeds (e.g., if Bond-financed property is sold, the proceeds of the sale are used for other governmental purposes that would have qualified for tax-exempt financing). Prior to taking such remedial actions, the issuer must satisfy certain pre-conditions. In addition, remedial actions are only able to be taken within a specified time frame before or after the action causing Private Business Use.

**Voluntary Closing Agreement Program**

Through the Voluntary Closing Agreement Program (VCAP), issuers of Bonds can voluntarily resolve violations of the Code and applicable Regulations (through closing agreements with the IRS). VCAP can be used when a remedial action (described under “Remediation”) is unavailable or there is another violation of the Code or Regulations that cannot be fixed through self-help mechanisms. The incentive for an issuer to go to VCAP is that, generally, a settlement in VCAP will be more favorable to the issuer than if the violation were discovered in an examination.
APPENDIX E

FORM OF STATEMENT RE: DISCLOSURES TO INVESTOR COMMUNITY
(To be filed with EMMA and posted on the Issuer’s website)

DESIGNATION OF AUTHORIZED SPOKESPERSONS FOR THE SOUTH DAKOTA BOARD OF REGENTS

The following persons are authorized by the South Dakota Board of Regents to communicate with the investor community (including analysts, broker-dealers and individual and institutional bondholders):

- Executive Director
- System Vice-President for Finance and Administration
- Director of Finance
- General Counsel

Our other employees or officers may from time to time make statements that are constitutionally protected political speech. Such statements are not intended to constitute communication to the investor community concerning the securities or the financial condition of the South Dakota Board of Regents.

Date: __________, 20____.
APPENDIX F

FORM OF ANNUAL REPORT

ANNUAL COMPLIANCE REPORT RE: BOND COMPLIANCE AND MANAGEMENT POLICY

To:  The South Dakota Board of Regents

Pursuant to its responsibilities as set forth in the Bond Compliance and Management Policy (the “Policy”) adopted by the South Dakota Board of Regents (the “Governing Body”), on ______________, 201_, the Compliance Committee has conducted the annual review required by the Policy and has prepared this report to determine whether the Bonds (as defined in the Policy) comply with covenants and other ongoing requirements applicable to each issue of Bonds. The following sets forth a summary demonstrating the Issuer’s compliance with such covenants and requirements.

RECORDS

[The Compliance Officer has all of the records required under the Policy.]

[The Compliance Officer is taking appropriate action to recover the records required under the Policy.]

TAX COMPLIANCE

(a) Arbitrage Rebate Liability. At this time, the Issuer:

[does not have any rebate liability to the U.S. Treasury.]

[has a rebate liability of approximately $__________ to the U.S. Treasury.]

[is exempt from arbitrage rebate liability under the __________ exemption.]

(b) Contract Review. The Compliance Committee has reviewed copies of all contracts and agreements of the Issuer, including any leases, with respect to the use of any property owned by the Issuer and acquired, constructed or otherwise financed or refinanced with the proceeds of the Bonds and other records. At this time,

[each issue of the Bonds complies]

[certain Bonds may not comply]

with the federal tax requirements applicable to such issue, including restrictions on private business use and private loans.
(c) **IRS Examinations or Inquiries.** The Internal Revenue Service (the “IRS”) [has not] [has] commenced an examination of any issue of the Bonds. The IRS [has not] [has] requested a response to a compliance check, questionnaire or other inquiry.

**CONTINUING DISCLOSURE**

(a) The Compliance Committee has reviewed the agreements of the Issuer with respect to each issue of Bonds to determine whether the Annual Financial Information and Audited Financial Statements were filed in a timely manner.

[All such information was filed within the times required by all Undertakings.]

[The following information was not timely filed as required by the Undertakings: [specify]].

(b) The Compliance Committee has conducted a review of all Reportable Event Disclosure made this year.

[No Reportable Event Disclosure has been required.]

[The following Reportable Event Disclosure was made in a timely manner: [specify]]

[The following Reportable Event(s) occurred and disclosure was not made in a timely manner, but has been remedied as follows: [specify]].

**OTHER COVENANTS AND REQUIREMENTS**

[Except as described in this Report, all] [All] issues of Bonds are in compliance with all other covenants and other ongoing requirements applicable to each such issue under the related Bond documents.

[The Issuer is currently not in compliance with the following covenants: [specify]].

Based upon the foregoing, the Compliance Committee:

[believes that no further action is necessary at this time.]

[recommends that the following remedial actions be taken: [specify]]
[recommends that the Governing Body consult with outside independent professional counsel and, if necessary, seek correction of such failures, defaults, violations or potential violations through remedial actions described in the Policy].

**COMPLIANCE WITH POLICY**

[Except as described in this Report, all] [All] issues of Bonds are in compliance with all requirements of the Policy applicable to each such issue.

[The Issuer is currently not in compliance with the following Policy requirements: [specify]].

Based upon the foregoing, the Compliance Committee:

[believes that no further action is necessary at this time.]

[recommends that the following remedial actions be taken: [specify]]

[recommends that the Governing Body consult with outside independent professional counsel and, if necessary, seek correction of such failures, defaults, violations or potential violations through remedial actions described in the Policy].

**EFFECTIVENESS OF THE POLICY**

The Compliance Committee has consulted with other staff, counsel, the financial advisor, and other professionals in order to evaluate the effectiveness of the Policy. [State results of such consultation.]

The Compliance Committee has

[no recommendations for change in the Policy.]

[the following recommendations for improvements in the Policy.]

**DELIVERY OF THIS REPORT**

This report will be entered into the records of the Governing Body and made available to all members of the Governing Body at the next regular meeting thereof.
Respectfully submitted this ____ day of ____________, 201_.

COMPLIANCE COMMITTEE

By ____________________________________

Compliance Officer

Names and Titles of Members of the

Compliance Committee:

[List]