RAMAPO COLLEGE OF NEW JERSEY

BOARD OF TRUSTEES PROCEDURE

Post-Issuance Tax-Exempt Bond Compliance Policy of Ramapo College of New Jersey

Policy Sections
Page

Policy

The Post-Issuance Tax Exempt Bond Compliance policy sets forth Ramapo College of New Jersey (the College) methodology for ensuring continued post-issuance compliance with Internal Revenue Service (IRS) requirements pertaining to tax-exempt bonds (TEB's). The policy explains the guidelines and practices Ramapo follows to remain in compliance with the rules relating to tax-exempt bonds. Compliance is required both upon the issuance of the bonds and during the post-issuance phase which extends beyond the life of the bonds.

Reason for Policy

Ramapo College of New Jersey finances a portion of its capital needs through the issuance of tax-exempt bonds issued through the New Jersey Educational Facilities Authority (NJEFA) and recognizes that, the College must satisfy requirements imposed by federal tax law in order to maintain the tax-exempt status of those bonds. In addition, the College may receive funding for certain projects and equipment through grants made from proceeds of bonds issued by NJEFA (referred to as State-Backed Bonds) to which the College has post-issuance compliance obligations. This policy provides general guidelines and procedures of the College to monitor compliance of tax-exempt bonds with federal income tax rules relating to TEBs. The College recognizes that compliance with applicable provisions of law is an ongoing process, necessary during the entire term of the TEBs.

Policy Statement

TEBs are debt obligations, the proceeds of which are used by the College to finance capital needs. The obligation to maintain the tax-exempt status of TEBs remains throughout the life of the bonds. Tax-exempt status could be lost if certain applicable federal income tax requirements are not satisfied during the entire period of the TEBs are outstanding.
Post-issuance tax compliance begins once the TEBs are issued. The compliance process focuses on use of debt-financed property and on investments of debt proceeds. Post-issuance compliance responsibilities include:

- Tracking spending of TEB proceeds for qualified and nonqualified purposes;
- Maintaining detailed records of expenditures and investments of the proceeds;
- Ensuring that the facilities financed are used in a manner consistent with bond documents and federal tax and other legal requirements and if not, proper remedial actions are utilized to maintain federal tax law requirements;
- Maintaining adequate records;
- Providing necessary disclosure information regarding financial and operating status.

Policy Sections

I. Organizational Responsibility

The Vice President for Administration and Finance (VPAF) has primary responsibility for post-issuance compliance to ensure and monitor post-issuance matters with respect to TEBs, including providing information and training on developing and implementing post-issuance compliance policies. The VPAF is also responsible for approving certain project-level decisions affecting TEB compliance.

Business Services is responsible for tracking draws and expenditures, including cost of issuance and reviewing rebate reports and keeping adequate records to support all of the foregoing. Business Services shall track utilization of TEB proceeds and other sources of funding for TEB-financed projects, prepare requisitions and submit them to NJEFA, and submit requisitions to the applicable party in conformity to applicable bond documents and the Authority's (or other applicable party's) requirements. Business Services shall review requisitions to assure that proceeds are expended on projects as authorized in the applicable bond documents, that reimbursement of pre-issuance costs are permissible. Business Services shall review monthly bank statements from trustees or custodians and review arbitrage report provided by the Rebate Service Provider engaged by the Authority for each Authority issue of TEBs.

Budget Office is responsible for allocating sources of funding between proceeds and other funds.

The Controller in conjunction with Facilities is responsible for identifying and monitoring private use in the financed facilities.

The Associate Vice President for Facilities Management and Construction (AVPFM &C) is responsible for monitoring and maintaining all contracts for bond financed facilities, and determine when projects are completed and/or placed in service. The AVPFM&C will notify controller when projects are completed and placed in service.

II. Tracking Expenditures and Use of Bond-Financed Facilities

The College allocates debt proceeds to the various projects funded with TEBs. All contracts for bond-financed capital expenditures are approved by the Associate Vice President for Facilities Management and Construction. All purchase orders are approved in accordance with the College's purchasing policies and procedures.

The Budget Office shall track the use and allocation of bond proceeds and other sources of funding for financed facilities. Requisitions submitted by Business Services to the Authority for reimbursement will be accompanied by copies of invoices for any item over $20,000 for stand-alone bonds and $10,000 for state-backed bonds.

The College will monitor the application and use of bond proceeds on an ongoing basis and inform the Authority of events relating to use of bond proceeds, which may result in private use or other issues, which must be analyzed for compliance with federal tax law. The Controller and the Facilities Department will work together to identify square footage or other measurement of private use of financed facilities. The College will cooperate with the Authority or other issuer in seeking advice from bond counsel and remediation, if necessary.

The College will review use and investment of bond proceeds with the Authority (and with any other issuer, as applicable) at least once a year until the final allocation of expenditures for bond financed project is made. The VPAF and the AVPFM & C will work with the Authority, or other issuer and bond counsel, if necessary, to assist in making a final allocation of expenditures for a bond-financed project when required under the Code and applicable regulations. The College will respond to an annual questionnaire and certification sent by the Authority with respect to the Authority's Stand-Alone or State-Backed Bonds and provide updated information about the use of the financed facilities and other appropriate matters.

III. Private Business Use and Private Payments

Private business use (PBU), in the case of a public higher education institution, refers to the use of bond-financed property in a trade or business by any person other than a state or local governmental entity or a 501 (c) (3) entity that is exempt from tax.

The Controller (who will maintain records of all private use contracts) in conjunction with the Capital Planning Department will monitor private use of bond-financed property.

The Authority's Stand-Alone TEBs will lose their tax-exempt status if more than 10% of the proceeds of the bond issuance are used for any private business use. However if the private business use is unrelated or disproportionate to the governmental use, the limit is reduced to 5% and in the case of 501 (c) (3) entities the limit is also 5%. The use of bond proceeds to finance bond issuance costs is considered a PBU of those proceeds, the allowable PBU percentages includes the cost of issuance financed with bond proceeds.

The Authority's State-Backed TEBs are issued pursuant to the Higher Education Capital Improvement Fund Act (CIF); the Higher Education Equipment Leasing Fund Act (ELF); the Higher Education Technology Infrastructure Fund Act (HETI); and the Higher Education Facilities Trust Fund Act (HEFT). State-Backed Bonds are issued by the Authority to provide separate grants for educational projects or equipment to each of several New Jersey's public and private institutions of higher education. Because more than one Institution receives funds from a single State-Backed Issue, the Authority will determine at the time of issuance if the applicable percentages referenced in connection with Stand-Alone Bonds is available to each participating institution or if a specific percentage of private use will be permitted only by specific Institutions that request private use of a bond-financed project prior to allowing such use.

The College will monitor private business use of the Authority's Stand-Alone Bonds and State-Backed Bonds in accordance with the Authority's applicable post-issuance compliance policies and will monitor private business use of TEBs issued by other issuers in accordance with such issuers's rules.

Special legal entitlements to property financed with TEBs can give rise to private business use. IRS regulations provided exceptions to private business use for short term and incidental use arrangements.
Special legal entitlements include the following type of arrangements:

- Management Contracts: A management contract as defined by the IRS refers to a management, service or incentive payment contract with a service provider under which the service provider provides services involving all or a portion of any function of a facility. Examples would include dining service and bookstore where a third party has an ongoing presence in or control of the facility. The rules for permitted management contracts are set forth in IRS Revenue Procedure 97-13. The General Council and the Finance Division are responsible for identifying whether any management contract might constitute a PBU.
- Sponsored Research Agreements: A qualifying research agreements must be for "basic research" and the rights of the sponsor to the results of the research must comply with the state rules as set forth in IRS Revenue Procedure 2007-47. The Grants Office will screen federal and state research

agreements to determine if agreements are PBU. Any PBU agreement must be approved by the General Council and the Finance Division.

- Leases of Bond Financed Property: Is any arrangement where the College leases a tax-exempt financed property to a non-governmental person. Transactions that are not called leases may still be considered a lease arrangement based on the level of control given to the outside party and whether the outside party bears the risk of loss. Examples include licenses if facilities for use by cell phone service or energy providers. The College will consult with the NJEFA and bond council prior to any new or expanded use of tax-exempt property by outside party.
- Sale or Transfer of Ownership: The transfer of ownership of any portion of the property financed with TEBs to any Non-exempt person is considered a PBU and is prohibited by the IRS code if it occurs prior to the earlier of either the expected economic life of the property , or the latest maturity date of any TEBs financing (or refinancing) of the property (measurement period). The Vice President for Administration and Finance will assure that ownership of property financed with TEBs are not transferred prior to expiration of the applicable measurement period.
- Naming Rights: A contractual agreement giving a party legal entitlement to name a tax-exempt bond financed facility or portion thereof after a for-profit entity may be considered a PBU. However, if the facility is named for an individual or nonprofit entity whose name does not overlap with the name of the for-profit entity with which the person is associated, is not considered a PBU. The College Foundation will identify all naming opportunities that do not fall within the exclusion and will refer them to Finance Division for review and approval prior to any final decision or execution of any enforceable agreement.
- Other Actual or Beneficial Use: Any other arrangement that conveys special legal entitlements for beneficial use or that creates priority rights use of tax-exempt College property will result in PBU. Examples of such "special legal entitlements" include summer camps having the exclusive right to use an athletic facility. The Finance Division in conjunction with the General Council will determine if the use constitutes a PBU.

The Authority's bond documents and policies require the College to report and certify to the Authority annually about the use of TEB-financed facilities, any additions or changes that may have occurred and cooperate with the Authority in determining whether there is private business use that may adversely affect the tax-exempt status of the TEBs and take appropriate remedial action.

IV. Record Retention

Authority bond documents require the College to maintain all relevant records relating to Authority TEBs. In addition, the Authority will retain documents it receives directly from the College or third parties. These documents include closing transcripts, investment and other agreements to which the Authority is a party, bank statements, rebate reports and requisitions if the foregoing documents are provided to the Authority. Both the College and the Authority shall maintain records for the length of time required to comply with IRS regulations. Currently, records of issuance and related post issuance compliance documentation must be maintained for the life of the bond issue, plus any refunding, plus three years per IRS regulations. The College will also maintain all relevant documents for the required time period for TEBs issued by other issuers.

Basic records relating to any debt transaction will be maintained, as well as documentation evidencing the:

- Expenditures and investment of bond proceeds;
- Use of debt-financed property; and
- Sources of payment or security for the bonds.

The Finance Division is responsible for identifying the documents to be retained. No employee shall discard or destroy any information identified in the inventory during the period such records are required to be maintained. The Authority will rely on the College for specific records relating to application of bond proceeds and possible private business use.

V. Arbitrage and Rebate

TEBs lose their tax advantaged status if they are classified as "arbitrage bonds." In general, arbitrage is earned when the gross proceeds of a bond issue are used to acquire investments that earn a yield that is "materially higher" than the yield on the bonds issued. The Internal Revenue Code contains two separate sets of requirements that must be complied with to ensure that TEBs are not arbitrage bonds. They are:

- Yield Restriction requirements, which generally provide that in the absence of an applicable exception, bond issue proceeds may not be invested at a yield in excess of the bond yield; and
- Rebate requirements, which generally provide that when arbitrage is earned on an issue in excess of permitted amounts, unless an exception is met, the excess earnings must be paid to the U.S. Department of Treasury, even if an exception to the yield restriction requirements applies.

For NJEFA Stand-Alone Bonds and State- Backed Bonds, the NJEFA will engage the services of an Arbitrage Compliance Servicer, as necessary, to provide written reports to assist the Authority and the College, in the case of Stand-Alone Bonds and the Authority, the State Treasurer and the College, to the extent necessary, in the case of State-Backed Bonds, in monitoring yield on investments and calculating any rebate that may be due. Where the Arbitrage Compliance Servicer provides a written report, it will be provided to the Authority, the State Treasurer and the College as applicable. The College will work with the Authority as necessary to ensure the

accuracy of the Arbitrage Compliance Servicer's report. For Stand Alone Bonds, the College will pay any rebate or yield reduction payment that is due.
The College will comply with the requirements of issuers other than NJEFA for other TEBs.

VI. Credit Enhancement or Other Agreements Relating to Bonds

Authority bond documents require the College to notify the Vice President for Administration and Finance of any extension or alteration of any credit enhancement relating to a College's tax-exempt debt or of any changes to other agreements relating to Authority Stand-Alone Bonds such as guaranteed investment contracts or derivative products. The Vice President for Administration and Finance will consult with the NJEFA in order to assure that any changes meet post-issuance compliance requirements. The Vice President for Administration and Finance will also monitor information relating to the ratings of the College and counterparties to such agreements to assure that provisions of such agreements are fulfilled.

VII. Disclosures and Filings

For Stand-Alone Bonds to which SEC Rule 15c2-12 applies, the Authority requires the College to enter into Continuing Disclosure Agreements with the trustee for the applicable bonds. Pursuant to these Agreements, the College agrees to comply with continuing disclosure requirements under SEC Rule 15c2-12. In addition, the Authority requires in bond documents, or will request, as applicable, copies of reports sent to credit providers and insurance companies and other parties to transactions, information about the condition and use of buildings and compliance with covenants of the borrowers including financial covenants.

VIII. Continuity and Training

The Vice President for Administration and Finance, along with the Associate Vice President for Capital Planning and the Controller and those to whom responsibilities have been delegated will receive periodic training regarding the tax and other requirements applicable to TEBs. Such training will cover the purposes and importance of these procedures.
To provide for continuity of compliance with post-issuance debt requirements, the College will periodically review this policy to assure that it comports with current law.

IX. Remedial Action

Authority bond documents require that the College notify the Authority of events which may affect the permissible use and investment of bond proceeds and to cooperate with the Authority in seeking remedial action with respect to such events. The Vice President for Administration and Finance or the Associate Vice President for Capital Planning is responsible for notifying the Authority of such events and cooperate with the Authority or other issuers (as applicable) in seeking remedial action pursuant to Treasury Regulation 1.141.-12, 1.145-2 or seeking a Voluntary Closing Agreement (VCAP).

X. Acronyms

NJEFA-New Jersey Educational Facilities Authority
TEBs- Tax Exempt Bonds
IRS-Internal Revenue Service
PBU- Private Business Use