THE TEXAS STATE UNIVERSITY SYSTEM

DEBT POLICY

May 2020

General Provisions

This policy governs the use of debt to finance capital projects within The Texas State University System (TSUS). The prudent use of debt achieves strategic objectives while maintaining a credit rating that appropriately balances financial flexibility with cost of capital.

Financing Programs: TSUS is authorized to issue debt through the Revenue Financing System (RFS), which includes Extendable Commercial Paper (ECP). TSUS is also authorized to issue Higher Education Fund (HEF) Bonds.

Revenue Financing System: The Texas State University System Revenue Financing System (RFS) was created by the Board of Regents (Board) through the adoption of a Master Resolution on August 13, 1998. The Board established the RFS to assemble TSUS's component institutions revenue-supported debt capacity into a single financing program, providing a cost-effective debt program and maximizing the financing options available to the Board. The Board issues debt under the Master Resolution through the adoption of annual supplemental resolutions.

TSUS has the authority to issue tax-exempt and/or taxable debt (bonds and ECP). Each project's tax status will be determined by the Vice Chancellor and Chief Financial Officer (VC&CFO), with consent from bond counsel as defined under state and federal law.

Tuition Revenue Bonds (TRBs) are issued under the RFS program and are secured by the same RFS pledge of all legally available revenues of the System. RFS debt service related to TRB authorized projects is eligible for reimbursement by the State's authorized biennial appropriations. TRB projects are specifically authorized by the Legislature under Chapter 55 of the Texas Education Code.

RFS Extendable Commercial Paper (ECP) Program: On February 20, 2015, the Board adopted a supplemental resolution to the Master Resolution (the "Eighteenth Supplement" which authorized an extendable commercial paper program for the RFS. The Extendable Commercial Paper program is a short-term, parity debt program, authorized not to exceed an outstanding balance of $240 million at any point in time. ECP proceeds may be used to purchase equipment, fund certain capital projects and to provide interim financing for capital projects during construction. The ECP program is administered in accordance with the TSUS's Extendable Commercial Paper procedures detailed later in this policy. Authority to operate the ECP program currently expires on December 31, 2045, but may be extended by the Board through an amendment to the Eighteenth Supplement.

The RFS Bonds and ECP Notes are special obligations of the Board payable from and secured solely by pledged revenues pursuant to the Master Resolution and the Eighteenth Supplement. There is no self-liquidity or external liquidity provider supporting the ECP program. If ECP notes are not remarketed, the interest rate on those notes will automatically be set to the extended rate formula described in the ECP procedures and the Eighteenth Supplemental.

Higher Education Fund (HEF): Amendments to Article VII, Section 17 of the Texas Constitution, in 1954 and 1953, authorize the Legislature to provide appropriation to certain institutions of higher education for construction and other capital acquisitions under the Higher Education Fund (HEF). Article VII, Section 17 includes an authorization to issue bonds and notes secured by pledged revenues consisting of up to 50% of the annual HEF allocation. Bonds issued under this authority are typically referred to as HEF bonds or constitutional appropriation bonds. The proceeds from the sale of HEF bonds or notes may only be used to finance eligible projects as described Article VII, Section 17 of the Texas Constitution. The Texas Constitution prohibits the issuance of HEF debt for auxiliary projects, except to the extent of a project's use for educational and general activities. The annual aggregate amount of principal and interest for each fiscal year on HEF bonds is limited to a maximum of 50% of that year's HEF appropriation

HEF appropriations are authorized as a source of funds for RFS regular debt service. Debt service may include interest, principal, or both.

Authority to Issue Debt: All debt incurred by TSUS will be issued or incurred pursuant to resolutions approved by the Board of Regents and in accordance with the general laws of the State of Texas, including Article VII, Section 17 of the Texas Constitution, Chapters 55 and 95 of the Texas Education Code, and Chapters 1207 and 1371 of Texas Government Code. Before any debt may be issued, TSUS must obtain an opinion from bond counsel that the issue complies with applicable Texas and federal laws. TSUS must also receive the necessary approvals from the Texas Attorney General.

Debt Guidelines: Any debt must be issued in strict compliance with applicable laws. The following debt guidelines will apply:

Project Funding: Financing, through the issuance of debt, is limited to those projects that have been approved by the Board of Regents by inclusion in the Capital Improvement Program (CIP).

Amortization: The amortization of tax-exempt debt will be based on the types of assets financed, the expected available cash flows to meet debt service requirements, and tax regulations. Generally, the amortization of tax-exempt debt should not exceed the useful life of the financed asset and may never exceed the Internal Revenue Service limit of 120% of the useful life of the financed asset. The targeted maturity of RFS debt, both taxable and tax-exempt, is not longer than 20 years, while the maximum maturity of RFS debt is limited to 50 year by Chapter 55 of the Texas Education Code. The maximum maturity of HEF debt is limited to 10 years by Article VII, Section 17 of the Texas Constitution. Maturities may be adjusted on a case-by-case basis based on the facts and circumstances of each case, such as project cash flows.

Financial Ratios: The impact on debt service affordability and debt capacity shall be evaluated when considering requests for debt financing. The primary financial ratios to be analyzed include the debt service coverage ratio, the debt burden ratio, and the leverage ratio as defined in the *Strategic Financial Analysis for Higher Education (7th Edition)* or its successor publications.

Minimalization of Cost: Debt financing will be coordinated, to the extent practical, so that multiple projects are combined into a single bond issue. Since many issuance costs are fixed and do not vary with the size of an issue, combining projects into the least number of issuances possible reduces fixed costs.

Refunding Opportunities: Refinancing of outstanding debt issues should be evaluated periodically. In evaluating refunding opportunities, TSUS will consider the value of the call option to be exercised, including the amount of time to the call date and the amount of time from the call date to maturity. TSUS will generally use 3% net present value (NPV) savings as a minimum threshold for determining the viability of a refunding. A refunding that provides lesser savings may be considered when other benefits, such as eliminating restrictive bond covenants, produce a greater benefit to TSUS.

Continuing Disclosure: Rule 15c2-12 promulgated by the Securities and Exchange Commission required updated financial information, updated operating data, and timely notice of specified material events be provided to each nationally recognized municipal securities information repository.

Tax Compliance: Tax compliance, including but not limited to, private business use and monitoring funds for yield restriction and arbitrage rebate calculations is required on an ongoing basis. TSUS Administration's Office of Finance shall promulgate a reporting structure to ensure compliance.

Hedge Instruments: The use of interest rate swaps and other interest rate risk management tools to minimize expected costs and manage interest rate risk is permissible if the requirements of Chapter 1371 of Texas Government Code are satisfied. Any use of swaps must be tied directly to TSUS debt instruments. Swap transactions for speculative purposes are prohibited. Additional information regarding swap transactions may be found in the "Interest Rate Swaps" section of this policy.

Independent Project Financing: The use of project financing outside of the RFS or HEF programs is permissible, subject to Board approval. The use must provide benefits in excess of the increased costs. Project financings are separate obligations, typically secured directly by project revenues. Project financing may be a useful financing technique in certain circumstances; however, these transactions are typically less efficient and more costly than traditional financing due to lower credit ratings, fewer economies of scale, the requirement of a reserve fund, and the cost of bond insurance. Project financing does not preserve or increase debt capacity relative to traditional financing as credit rating agencies generally include project debt in assessing an issuer's debt capacity.

Supplemental Resolution: At least annually, usually at the February Board meeting, a supplemental resolution to the Master Resolution shall be presented to the Board for consideration regarding the reimbursement, issuance, sale, and delivery of RFS bonds for potential projects and refundings, including reimbursements to the extent eligible by law. The supplemental resolution may delegate the authority to set the final pricing terms of such RFS bonds to an authorized representative of the System. Under the Attorney General's interpretation of State law, such delegation to price bonds may extend for a period of up to one year from the date of adoption of the supplemental resolution. The motion shall include a not-to-exceed amount of RFS debt, including potential debt refinancing.

Capital Expenditures and Reimbursement: US Treasury regulations allow a bond issuer to use tax-exempt bond proceeds to reimburse expenditures made prior to the date of the financing if the expenditures meet certain requirements. Additional information regarding reimbursements may be found in the "Tax-Exempt Bond Proceeds Reimbursement Guidelines" section of this policy.

Extendable Commercial Paper Program

Overview

The Extendable Commercial Paper (ECP) Program is short-term debt on parity with the System's long-term RFS bonds. ECP Notes are sold with an initial maturity of up to 90 calendar days from their date of issuance. ECP Notes may either (i) be refunded by new ECP Notes or long-term Parity Debt, (ii) have their maturity dates extended at the option of the System to a date that is up to 270 calendar days from their issuance date, or (iii) be defeased or paid at maturity with lawfully available funds of the System. ECP Notes may be used to finance the same authorized capital expenditures as long-term RFS debt which includes the ability to purchase equipment and finance capital projects (including land acquisition) during construction. ECP Notes can provide interim financing of such projects until such time as it is considered advantageous for the System to refund the ECP Notes with long-term bonds.

The Eighteenth Supplement, the supplemental resolution authorizing the ECP Program, was adopted on February 19, 2015 and requires an "Authorized Representative" to execute and deliver an Issuance Request for each new tranche of ECP issued. Currently, the System's Authorized Representatives are: the current Chair of the Board, the Chancellor; the Vice Chancellor and Chief Financial Officer, and the Associate Vice Chancellor for Finance and Controller. The System anticipates that the Vice Chancellor and Chief Financial Officer will act as the Authorized Representative in most instances.

The VC&CFO shall be responsible for monitoring the issuance of ECP Notes, including the rollover of outstanding ECP Notes. The maximum combined tax-exempt and taxable principal amount of ECP Notes outstanding at any given time cannot exceed $240,000,000.

Features of ECP

The Original Maturity Date of ECP is set when the Extendable ECP is issued and may be up to 90 days after the issue date. The Original Maturity Date may be extended, at the option of the Authorized Representative, to the date that is 270 days from the issue date (Extended Maturity Date). An extension of the Original Maturity Date to the Extended Maturity Date is not considered an event of default.

The period between the Original Maturity Date and the Extended Maturity Date (or when the ECP is redeemed) is referred to as the “Extension Period.” The use of the term “Maturity Date” in reference to ECP means the Original Maturity Date unless the Original Maturity Date is extended in which case it means the Extended Maturity Date.

Interest is payable on the Original Maturity Date and if the Original Maturity Date is extended, then interest is also paid thereafter on a monthly basis (each a “Reset Interest Payment Date”).

The interest rate to be paid on the Original Maturity Date is the rate that is set when the ECP is issued. The interest rate to be paid on each Reset Interest Payment Date will be the Extended Rate (which is calculated as set forth below based on a formula that takes into account the prevailing ratings of the ECP at the time of reset).

Interest is computed based on actual days elapsed, using a 365-day or 366-day year for Tax-Exempt ECP and a 360-day year for Taxable ECP. The Extended Rate applicable to a Tax-Exempt ECP Note will be determined by the Issuing and Paying Agent as provided in the Eighteenth Supplement. With respect to Tax-Exempt ECP, the term "Extended Rate" means the rate of interest per annum that is the greater of (SIFMA Index + E) or F. The variables E and F are the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of Fitch, Moody’s and S&P (if then rating the Commercial Paper Notes at the request of the System), as follows:

Fitch	**Moody's**	**S&P**	**E Variable**	**F Variable**
F-1+	P-1	A-1+	250bps	7.00%
F-1	-	A-1	350bps	7.50%
F-2	P-2	A-2	550bps	8.00%
Lower than F-2 (or rating withdrawn for credit reasons)	Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Max Rate	Max Rate

The “Max Rate" is the lesser of: (i) 9% per annum or (ii) the maximum rate permitted by law. The "SIFMA Index" is (i) the seven-day high grade market index of tax- exempt variable rate demand obligations, as calculated by Bloomberg and published or made available by the Securities Industry and Financial Markets Association (SIFMA) or any person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Dealer (or if the Dealer fails to do so, the System, acting through an Authorized Representative) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

ECP may not be redeemed prior to the Original Maturity Date but may be redeemed at the option of the Board, upon not less than 5 calendar days' notice during the Extension Period.

There is no self-liquidity or external liquidity provider with respect to ECP. The payment of principal on the Maturity Date (whether the Original Maturity Date or the Extended Maturity Date, as applicable), if not paid by the System from lawfully available funds, would likely occur from the proceeds of a new issuance of ECP or the issuance of long-term Revenue Finance System Bonds.

Tax-Exempt ECP will be subject to typical restrictions on the issuance of tax-exempt bonds.

ECP General Procedures

Prior to issuance of any new tranches of extendable commercial paper, the VC&CFO must confirm the Board has approved a resolution to refund the ECP in the event of a failed remarketing of the ECP. It is anticipated that this approval will be obtained at least annually.

Contact information for the dealer, issuing and paying agent, and the TSUS Authorized Representatives shall be retained by the VC&CFO.

Procedures at Original Issuance

All transactions between each Dealer and the TSUS shall be in accordance with the Eighteenth Supplement, the Issuing and Paying Agent Agreement, the Dealer Agreement and with the customs and practices in the commercial paper market regarding settlement and delivery formally adopted in writing from time to time by the New York Clearinghouse, to the extent not inconsistent with the Eighteenth Supplement.

Issuance Requests constituting the System's written instructions to issue ECP shall be in the form prescribed the agreements. An Authorized Representative of the System shall submit an Issuance Request to the Issuing and Paying Agent prior to 2:00 p.m. (New York time) on the day on which such issuance request is to be processed. The Issuance Request may be submitted through an electronic communication service offered by the Dealer or the Issuing and Paying Agent. If the Issuance Request is received after 2:00 p.m. (New York time), the Issuing and Paying Agent shall not be obligated to deliver the requested ECP until the succeeding Business Day.

Not later than 2:30 p.m. (New York time) on the date of each transaction the Dealer shall either (a) confirm each transaction made with or arranged by it or (b) notify the System and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Commercial Paper Notes and the amount of Commercial Paper Notes which the Dealer has arranged to sell or has agreed to purchase. Such confirmation or notification shall be given in writing by email (or by other telecommunications medium acceptable to the System) to the System and the Issuing and Paying Agent. The Dealer's communication shall include proposed final maturities for notes issued, prices and interest rates (which shall not exceed the 9% Maximum Interest Rate as defined in the Eighteenth Supplement), and provide the System with any other information as required for delivery of such Commercial Paper Notes.

Upon receipt of an Issuance Request, the Issuing and Paying Agent shall, by 3:00 p.m. (New York Time) complete each Commercial Paper Note as to amount, Note Date, Original Maturity Date and Original Rate specified therein, and deliver each such Commercial Paper Note to or upon the order of the Dealer upon receipt of payment therefore.

The Dealer shall pay for the Commercial Paper Notes sold by the Dealer (or purchased by the Dealer for its own account) in immediately available funds by 2:00 p.m. (New York Time) on the Business Day such Commercial Paper Notes are delivered to the Dealer (provided that such Commercial Paper Notes are so delivered to the Dealer by 12:30 p.m. (New York Time) on such Business Day).

Procedures at Original Maturity Date

Approximately one week prior to the Original Maturity Date, System Administration will provide an invoice to each component with the outstanding balance of ECP Notes and the amount of interest, including an administrative fee, owed upon the Original Maturity Date. Each component will provide the required funds to System Administration in accordance with the instructions provided in the invoice.

The administrative fee is a percentage assessed against the outstanding notes for each component. The fee provides funding for the operation of the ECP Program, including cost such as dealer fees, legal fees, and rating agency fees. The administrative fee is set by the Vice Chancellor and Chief Financial Officer.

On or before the maturity date, the System will issue payment to the Issuing and Paying Agent for any principal to be redeemed and interest owed.

Procedures at Original Maturity Date When Extending Maturities

No later than 11:00 a.m. (New York Time) on the Original Maturity Date, the Dealer will notify the System if it has been unable to sell ECP for the purpose of refunding the ECP maturing on the Original Maturity Date.

The Authorized Representative shall deliver to the Issuing and Paying Agent and the Dealer an Extension Request by no later than 11:30 a.m. (New York Time) on the Original Maturity Date if the option to extend the Original Maturity Date of an ECP Note to an Extended Maturity Date is exercised. If an Extension Request is received after 11:30 a.m. (New York time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested ECP Notes until the next succeeding Business Day.

By 3:00 p.m. (New York Time) on the Original Maturity Date and any Extended Maturity Date of ECP Notes, the Issuing and Paying Agent will notify the System if the proceeds of ECP Notes to be issued on such date are insufficient to repay the maturing ECP Notes on the applicable Maturity Date, and the amount of any such deficiency.

The notices from System to the Dealer, Issuing and Paying Agent, DTC, and each Rating Agency are a matter of convenience only. If payment is not received by the Trustee on the Original Maturity Date, the Original Maturity Date is automatically extended to the Extended Maturity Date (i.e. lack of notice is not an event of default).

Procedures During the Extension Period

ECP may be redeemed on any day during the extension period with not less than five (5) or more than twenty-five (25) calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent must then notify DTC of the redemption within one Business Day of receipt of such notice. During the extension period, the remarketing process continues. It is the System's intent to refund outstanding ECP Notes in the extension period with the proceeds from a long-term bond issue if the issuance of additional ECP Notes is not more advantageous.

Procedures at the Extended Maturity Date

All amounts due on the Extended Maturity Date must be received by the Issuing and Paying Agent for deposit into the Note Payment Fund (created pursuant to the Eighteenth Supplement) no later than 12:00 pm (New York Time) on the Extended Maturity Date.

If the ECP has not been redeemed during the extension period, the System is expected to provide the required payment on the Extended Maturity Date.

INTEREST RATE SWAPS

Authority

Texas Education Code chapter 55 and Texas Government Code chapter 1371 authorize the System to enter into interest rate swap transactions ("Swaps") and related agreements ("Swap Agreements") with one or more counterparties (the "Counterparty").

Purpose

By using swaps in a prudent manner, the System can increase financial flexibility, provide opportunities for interest rate savings, allow active management of asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to RFS debt instruments. Neither the System, nor any component, shall enter into swaps for speculative purposes.

Approvals

Approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board must be obtained prior to entering into a swap. The System will also obtain an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the System and that entering into the swap complies with applicable State and federal laws.

Form of Agreement

Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

Procurement

Swaps may be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of ‘A’ or ‘A2’ or better from Standard & Poor’s or Moody’s, respectively.
Competitive bids must include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.

An Authorized Representative may procure swaps by negotiated methods in the following situations:

1. A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;
2. A determination is made by an Authorized Representative that, in light of the facts and circumstances, a negotiated bid will promote the System’s interests by encouraging and rewarding innovation; or

3. A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the System.

Counterparty Risk

Counterparty risk is the risk of a failure by one of the System's swap counterparties to perform as required under a swap. To mitigate this risk, the System will:

1. Diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in the Procurement section above;
2. Require collateralization as set forth below; and
3. Include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.

The value owed shall be the sum of all mark-to-market values between the subject counterparty and the System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third-party trustee acceptable to System or as mutually agreed upon between System and each counterparty.

To limit and diversify the System's counterparty risk and to monitor credit exposure to each counterparty, the System may not enter into a swap with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the System shall be less than or equal to the applicable threshold amount set forth below:

Threshold Amounts Based on Credit Rating	
Credit Rating of the Counterparty or Its Credit Support Provider	**Mark-to-market Value (millions)**
AAA/Aaa	$30
AA+/Aa1	$25
AA/Aa2	$20
AA-/Aa3	$15
A+/A1	$10
A/A2	$5

If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the System and ensures compliance with this policy.

Termination Risk

The System shall consider the merits of including a provision that permits optional termination at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the System, either through receipt of a payment from a termination, or if a termination payment is made by the System, a conversion to a more beneficial debt instrument or credit relationship. It is possible that a termination payment by the System may be required in the event of termination of a swap due to a counterparty default or following a decrease in credit rating.

Amortization Risk

The amortization schedules of the debt and associated swap should be closely matched. Mismatched amortization schedules may result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may the notional amount of a swap exceed the principal amount of the related debt at any time, or the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

Basis Risk

Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or the London Interbank Offered Rate (LIBOR).

Tax Risk

Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is present in all tax-exempt debt issuances. The System will monitor and evaluate tax risk.

Interest Rate Risk

Interest rate risk is the risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. Additional interest rate risk can be created by entering into certain types of swaps. The System will consider the impact of each swap on the overall debt portfolio.

Qualified Independent Representative

In connection with Commodities Futures Trading Commission Rule 23.450(b)(1), an Authorized Representative will select a qualified independent representative (QIR) to advise the System on derivative transactions, and the System will monitor the performance of such QIR on an ongoing basis. The System will consult with the QIR prior to entering into or modifying any derivative transactions.

TAX-EXEMPT BOND PROCEED REIMBURSEMENT REQUIREMENTS

Treasury Regulation Section 1.150-2 allows a bond issuer to use tax-exempt bond proceeds to reimburse expenditures made prior to the date of the financing if the issue meets three requirements:

> **(1) Official intent.** Not later than 60 days after payment of the original expenditure, the issuer adopts an official intent for the original expenditure.
>
> **(2) Reimbursement period**
>
> > **(i) In general.** The reimbursement allocation is made not later than 18 months after the later of—
> >
> > > **(A)** The date the original expenditure is paid; or
> > >
> > > **(B)** The date the project is placed in service or abandoned, but in no event more than 3 years after the original expenditure is paid.
> >
> > **(ii) Special rule for small issuers.** In applying paragraph (d)(2)(i) of this section to an issue that satisfies section 148(f)(4)(D)(i) (I) through (IV), the "18 month" limitation is changed to "3 years" and the "3-year" maximum reimbursement period is disregarded.
> >
> > **(iii) Special rule for long-term construction projects.** In applying paragraph (d)(2)(i) to a construction project for which both the issuer and a licensed architect or engineer certify that at least 5 years is necessary to complete construction of the project, the maximum reimbursement period is changed from "3 years" to "5 years."
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> **(3) Nature of expenditure.** The original expenditure is a capital expenditure, a cost of issuance for a bond, an expenditure described in § 1.148-6(d)(3)(ii)(B) (relating to certain extraordinary working capital items), a grant (as defined in § 1.148-6(d)(4)), a qualified student loan, a qualified mortgage loan, or a qualified veterans' mortgage loan.

A declaration of official intent must indicate that the recipient of the bond proceeds reasonably expects to reimburse the planned expenditures with the proceeds of a debt to be incurred. The declaration of official intent must generally describe the project for which the expenditure to be reimbursed is paid and state the maximum principal amount of debt expected to be issued for such purposes.

No declaration of official intent is required for preliminary expenditures, such as architectural, soil testing, engineering, surveying, bond issuance and similar costs incurred prior to acquisition or construction, that do not exceed 20% of the aggregate issue price of the issue or issues for that project. Costs of land acquisition, site preparation and similar costs are not treated as preliminary expenditures. No declaration of intent is required for costs of issuance of a bond or for other amounts not in excess of the lesser of $100,000 or 5% of the proceeds of the issue.

Declarations of official intent to reimburse expenditures must be "reasonable." Bond users cannot make blanket or routine declarations without a real intent to finance the specific expenditures, but for the purpose of building up reimbursable expenditures to which the proceeds of bonds for later projects would be artificially allocated.

Deviations between a project described in an official intent and the actual project financed with reimbursement bonds do not invalidate the official intent to the extent that the actual project is reasonably related in function to the described project.

Failure to comply with the regulations results in the bond proceeds being treated as not expended and as remaining subject to arbitrage, rebate and other restrictions. Such a failure and noncompliance with such restrictions may result in the loss of tax exemption of the bonds.

Declaration of Official Intent

A declaration of official intent for a TSUS project may be established through one of two ways:

1. In conjunction with the Board's approval of the Capital Improvements Program (CIP), the Vice Chancellor and Chief Financial Officer shall, in the CIP presented to the Board for approval, include language for the intent of satisfying, in accordance with the provisions of Section 1.150-2 of the Treasury Regulations, the Board's official declaration of the intent to reimburse capital expenditures from the proceeds of future issuances of tax-exempt obligations for any project authorized under the CIP.
2. In November 2010 the Board adopted a resolution delegating the authority to the Vice Chancellor and Chief Financial Officer, as the successor position to the Vice Chancellor for Finance, to act on behalf of the Board to execute certificates of reimbursement with respect to capital expenditures for projects which the Board reasonably expects to be financed with the proceeds of future issuances of tax-exempt obligations. Each such reimbursement certificate serves as the official declaration of the intention of the System, in accordance with the provisions of Section 1.150-2 of the Treasury Regulations, to reimburse capital expenditures from the proceeds of future issuances of tax-exempt obligations for any projects not previously authorized under the CIP.

For projects not previously authorized under the CIP, the TSUS Intent to Reimburse Planned Expenditures from Bond Proceeds form (Appendix A), when completed and executed by a component CFO and executed by the Vice Chancellor and Chief Financial Officer, serves as the official declaration.

Reimbursement Procedures

After bond issuance, but prior to making the reimbursement, the Application for Reimbursement of Actual Expenditures from Bond Proceeds form (Appendix B) shall be submitted to the Vice Chancellor and Chief Financial Officer.

Upon approval by the Vice Chancellor and Chief Financial Officer, components may complete the reimbursement. It is imperative that components complete the reimbursement process within the reimbursement period described above.

In no case shall an expenditure paid more than 60 days prior to the date the Board or the Vice Chancellor and Chief Financial Officer establishes the declaration of official intent be reimbursed from bond proceeds when issued. Any such expenditures must be funded from sources other than tax-exempt bond proceeds.

TAX-EXEMPT BOND COMPLIANCE

Federal tax laws impose requirements for bonds to be issued and maintained as tax-exempt bonds (TEB). These requirements primarily include restrictions on the private use of TEB-financed property and the investment of TEB proceeds.

Compliance with federal tax laws are required from the time of issuance until the bonds are defeased, or if refinanced, until the refunding bonds are defeased.

Issuance of Taxable Bonds

Factors that may dictate a taxable bond issue is warranted include:

1. Both the private business use (PBU) test and the private payment or security test are expected to be met.
    a. To meet the PBU test, the greater of either 10% of the proceeds of an issue or $15 million will be used for any PBU in the aggregate with respect to the bond issue.
    b. To meet the private payment or security test more than 10% of the payment of principal or interest on the bond issue is either made or secured (directly or indirectly) by payments or property used or to be used for a PBU.
2. The private loan financing test is expected to be met.
    a. The private loan financing test determines if the amount of proceeds of the issue which is to be used (directly or indirectly) to make or finance loans to persons other than governmental entities exceeds the lesser of 5% of such proceeds, or $5 million.

Tracking of Bond Proceeds

Bond proceeds must be allocated to eligible projects. Eligible projects are generally owned by TSUS and have an intended use consistent with the System's exempt purpose. Bond proceeds may only be disbursed for authorized project costs, capitalized interest, bond issuance costs, or other costs authorized by the bond documents. When bond proceeds are allocated to expenditures prior to the bond issuance, the TSUS reimbursement guidelines must be followed.

Bond proceeds allocated to the project generally must be tracked by "specific tracing." Specific tracing requires allocation to expenditures that are traceable to a specific project. When allocating proceeds, institutional sources or taxable bond proceeds, rather than TEB proceeds, may be allocated to projects where PBU exists to minimize the PBU of the TEBs. If specific tracing is neither possible nor practical other allowable methods may be used, but must be approved by the VC&CFO.

Private Business Use

Private Business Use (PBU) occurs when private parties utilize TEB financed assets through leases, licenses, fee-for-use agreements, naming rights agreements, and management contracts or service contracts where the manager or service provider's compensation is based, in whole or in part, on income from operation from the facility. PBU may also occur when a sponsored research arrangement or any other arrangement provides private parties with special legal entitlements to use, occupy, or otherwise benefit from TEB financed property. For PBU purposes, a state or local governmental entity is not treated as a private person or private entity, however; a federal government entity is treated as a private party.

Should a component have any arrangement for use by a private party in a TEB financed asset, the component must inform the VC&CFO to assist in the determination of the amount of PBU for the TBE issue. Generally, no more than ten percent (10%) of a TEB issue's proceeds may be used for PBU. However, for use that is "unrelated or disproportionate" to TSUS use, the 10% permitted amount is reduced to 5%. An overall cap of $15 million of PBU applies. Should PBU limits be exceeded for a TEB issue, the issue may lose tax-exempt status.

Any significant change in the use of TEB financed property may give rise to PBU and should be reported to the VC&CFO. The sale or other disposition of TEB financed property must be reported to the VC&VFO prior to execution of any agreement of sale or other agreement of disposition to allow consultation with Bond Counsel.

Annually, VC&CFO will distribute a PBU questionnaire to each component to assess the amount of PBU in TEB financed projects and identify any sale or transfer of TEB financed projects. Completion of the questionnaire and accuracy of the responses to the questionnaire are the responsibility of each component. While the annual questionnaires are expected to prevent violations of federal tax law related to PBU, VC&CFO will consult with Bond Counsel should any potential violations occur to determine the proper corrective action.

Yield Restriction and Arbitrage Rebate

Federal tax law requires any amounts earned from the investment of bond proceeds at a yield in excess of the TEB yield be rebated to the federal government, unless an exception applies. Should a required rebate not occur, the TEBs become arbitrage bonds and lose their tax-exempt status. TSUS contracts with an external firm to perform rebate calculations to determine if there is a rebate liability for each of its TEB issues at required intervals.

Yield restriction rules provide that the direct or indirect investment of the gross proceeds of an issue in investment earning a yield materially higher than the yield of the TEB issue, known as arbitrage, causes the TEBs of that issue to become arbitrage bonds, unless one of the following exceptions apply:

1. The arbitrage is earned during a temporary period, which is generally 3-years from the issue date for capital projects,
2. The arbitrage is earned as part of a reasonably required reserve or replacement fund,
3. The arbitrage is earned as part of a minor portion (an amount not exceeding the lesser of 5% of the sale proceeds of the issue or $100,000), or
4. When the issuer is allowed to make yield reduction payments to the U.S. Department of the Treasury to reduce the yield on yield-restricted investments to a point where those earnings are not materially higher than the yield of the TEB issue.

Although an exception above may exist, the issuer may still be subject to the rebate requirements on the earnings.

The rebate requirements require certain earnings on nonpurpose investments allocable to the gross proceeds of an issue be rebated to the U.S. Treasury to avoid the bonds becoming arbitrage bonds. Nonpurpose investments are investment securities such as Treasury bonds, bank deposits, or guaranteed investment contracts that do not qualify as a purpose investment. A purpose investment is an investment that the issuer acquires to carry out the governmental purpose of an issue. The arbitrage that must be rebated is based on the excess, if any, of the amount actually earned on nonpurpose investments over the amount that would have been earned if those investments had a yield equal to the yield on the issue, plus any income attributable to the excess. The future values of all earnings received and payments actually or constructively made on nonpurpose investments are included in determining the amount of rebate due. However, two exceptions to the general rebate requirements may apply to TEBs, the small issuer exception and the spending exceptions.

The small issuer exception provides that TEBs issued by small governmental issuers with general taxing powers are treated as meeting the arbitrage rebate requirement. An issue qualifies for the small issuer exception only if the issuer reasonably expects as of the issue date to issue, or in fact issues, $5 million or less in tax-exempt governmental bonds during the calendar year. However, the small issuer exception is an exception from rebate and not from the arbitrage rules altogether, meaning the yield restriction rules still apply. Due to a lack of general taxing powers, TSUS does not qualify for the small issuer exception.

There are three spending exceptions to the rebate requirements. Whether these exceptions apply depends on the timing of expenditures of required amounts of proceeds, as follows:

1. The 6-month spending exception provides an exception to rebate if the entire gross proceeds of the TEB issue are allocated to expenditures for qualified purposes that are incurred within 6 months after the date of issuance.
2. The 18-month spending exception provides an exception to rebate if the gross proceeds of the TEB issue are allocated to expenditures for governmental or qualified purposes which are incurred within the following schedule:
    a. 15% within 6 months after the date of issuance;
    b. 60% within 12 months after the date of issuance; or
    c. 100% within 18 months after the date of issuance.
3. The 2-year spending provides an exception to rebate is available with respect to construction issues financing property to be owned by a governmental entity or 501(c)(3) organization when certain available construction proceeds are allocated to construction expenditures within the following schedule:
    a. 10% within 6 months after the date of issuance;
    b. 45% within 12 months after the date of issuance;
    c. 75% within 18 months after the date of issuance; or
    d. 100% within 24 months after the date of issuance.

Record Retention

Proper Record Retention is required to ensure that TSUS can readily demonstrate compliance with all applicable requirements of federal tax law related to the TEBs. This ensures interest on the TEBs remains tax-exempt under the IRS Code. Records, which may be in paper or electronic form, shall be maintained with respect to each Bond issue for as long as those Bonds, and any Bonds issued to refinance those Bonds, remain outstanding, plus three years.

The records must include:

1. Basic records relating to the TEB issuance usually incorporated in the bond transcript provided by bond counsel;
2. Documentation evidencing expenditure of TEB proceeds including but not limited to, purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of allocations of TEB proceeds to reimburse project expenditures made before the bonds were issued;
3. Documentation evidencing use of TEB financed property by public and private entities, including copies of leases, management contracts and research agreements;

4. Records showing that special use arrangements with third parties, if any, affecting TEB financed property are consistent with applicable restrictions on PBU of property financed with proceeds of TEBs;
5. Records showing the specific assets financed with TEB proceeds;
6. Information, records, and calculations showing that, with respect to each TEB issue, one of the arbitrage rebate spending exceptions apply, if not, that the arbitrage rebate amount, if any, was calculated and timely paid to the IRS;
7. Records of any sale or disposition of TEB financed property, including terms of sale, and documentation of any remedial action undertaken as a result of the sale or other disposition; and
8. Documentation pertaining to any investment of proceeds of the issue, including:
    a. The solicitation and all responses received from the bidding of any GICs;
    b. Information with respect to any investment agreements, including certificates of deposit and GICs;
    c. United States Treasury Securities-State and Local Government Series subscription information; and
    d. Records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

A refunding bond issue is treated as replacing the original issue. The tax-exempt status of a refunding issue is derived from the tax-exempt status of the original issue. Therefore, all records related to both the original issue and the refunding issue must be maintained until three years after the final redemption of both bond issues.

Continuing Disclosure Requirements

TSUS is required under its Continuing Disclosure Undertakings (entered into in accordance with the requirements of SEC Rule 15c2-12) to provide disclosures of certain financial information and operating data and notice of certain events to the MSRB on EMMA to facilitate informed secondary market trading.

Disclosure Officer

VC&CFO is the Disclosure Officer for the System. The Disclosure Officer will review the following documents, obligations, and disclosure and reporting requirements of TSUS:

1. Offering Documents;
2. Unaudited financial statements, including notes to such statements;
3. Changes to accounting standards promulgated by GASB and other applicable accounting standards and rules;
4. Adopted annual budgets and amendments thereto;
5. Continuing Disclosure Undertakings; and

6. Other relevant documents that reflect TSUS's financial position and operating data.

The Disclosure Officer shall take reasonable steps to ensure that all Offering Documents are timely provided to TSUS's governing body to ensure meaningful review and approval thereof. In addition, the Disclosure Officer shall take reasonable steps to ensure that for purposes of securities law compliance TSUS's governing body is generally aware of the other documents listed above and of the significance of those documents to TSUS's disclosure obligations.

The Disclosure Officer shall have a general familiarity with the content of Rule 15c2-12 and the SEC Municipal Markets Report. The Disclosure Officer shall receive such training as may be necessary for the person to perform competently the duties and responsibilities of Disclosure Officer to ensure TSUS's compliance with the provisions of this Policy.

Annual Disclosure Filings

The Disclosure Officer shall annually review each Continuing Disclosure Undertaking to determine: (i) the appropriate financial information and operating data required to be included in the Annual Report; and (ii) the filing deadline for such Annual Report or a part thereof. The Disclosure Officer should review TSUS's documents, Debt Obligations (defined below), and disclosure and reporting requirements in determining the appropriate financial information and operating data to be included in the Annual Report. Additionally, the Disclosure Officer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by TSUS to provide financial information or operating data in accordance with the Continuing Disclosure Undertaking.

Continuing Disclosure filings must be posted on EMMA no later than February 27th annually.

As used herein, the term "Debt Obligations" means each contract of the System that has sufficient characteristics of debt so that it is included in the System's financial statements as a long-term liability of the System, including, but not limited to bonds, notes, leases and similar instruments used by the Issuer for borrowing purposes.

Disclosure Filings for Event Notices 1-16

The Disclosure Officer shall determine whether an event included below has occurred with respect to TSUS. If the Disclosure Officer determines that notice of the following events should be provided to the MSRB pursuant to a Continuing Disclosure Undertaking, the Disclosure Officer will cause the appropriate notice to be filed with the MSRB on EMMA, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event:

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 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 obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties

For the purposes of the event identified as item (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person. For the purposes of the events identified as items (15) and (16), the Board intends the words used in such events and the definition of the term "Financial Obligation" to have the meanings given to them in SEC Release No. 34-83885, dated August 20, 2018.

Additional Considerations for Event 15

The Disclosure Officer shall determine whether an Event 15 has occurred with respect to TSUS. If the Disclosure Officer determines that an Event 15 has occurred, the Disclosure Officer shall file, or cause to be filed, notice of such Event 15 with the MSRB through EMMA in a timely manner, not in excess of ten (10) Business Days after the date of incurrence. TSUS recognizes that, unlike events 1-14 listed above, the stated purpose of the SEC in adding Event 15 to Rule 15c2-12 is to provide the secondary market with information regarding all debt, debt-like or debt-related Financial Obligations or Terms Affecting Security Holders incurred by TSUS.

(a) The Disclosure Officer shall first determine whether a contract or obligation incurred by TSUS is a Financial Obligation or Terms Affecting Security Holders subject to disclosure under Event 15. When assessing whether a particular contract or obligation is a Financial Obligation or Terms Affecting Security Holders subject to disclosure as such terms are used in Event 15, the Disclosure Officer should consider the facts and circumstances surrounding TSUS's incurrence of each type of contract and obligation, as well as the factors set forth below:

i. Whether the contract or obligation could affect, or contains provisions or triggers that may impair, TSUS's liquidity, overall creditworthiness or an existing security holders' rights;

ii. Whether the contract or obligation is a private placement of debt with a financial institution, letter of credit, standby line of credit, or a similar "credit agreement" that relates to a Debt Obligation;

iii. Whether the contract or obligation is an ordinary financial and operating liability incurred in TSUS's normal course of business;

iv. Whether the contract or obligation contains acceleration provisions or restrictive debt service covenants that could affect the rights of existing security holders;

v. Whether the contract or obligation is a short or long-term Debt Obligation of TSUS under the terms of an indenture, loan agreement, capital lease, or other similar contract such as a line of credit;

vi. Whether the contract or obligation is an operating lease, or a capital lease which operates as a vehicle for borrowing money (e.g. a lease-purchase agreement);

vii. Whether the contract or obligation represents competing debt with TSUS's prior Debt Obligations that may affect the rights of the existing security holders;

viii. Whether the contract or obligation is a derivative instrument entered into in connection with a pledge as security or source of payment for an existing or planned Debt Obligation, which may include any swap, security-based swap, futures contract, forward contract, option, a combination of the foregoing or any similar instrument;

ix. Whether the contract or obligation is a derivative instrument designed to mitigate investment risk; or,

x. Whether the contract or obligation is a guarantee provided by TSUS as a guarantor for the benefit of a third party.

(b) If the Disclosure Officer determines that TSUS has incurred a Financial Obligation or Terms Affecting Security Holders subject to Event 15, the Disclosure Officer shall proceed to determine whether such Financial Obligation or Terms Affecting Security Holders are Material.

The Disclosure Officer shall determine whether a Financial Obligation or Terms Affecting Security Holders are Material upon the incurrence of the Financial Obligation or the Terms Affecting Security Holders, taking into account all relevant facts and circumstances. Relevant facts and circumstances may include, but are not limited to:

i. The principal amount of the Financial Obligation, including the aggregate par amount of a series of related Financial Obligations, and the method of setting or adjusting the interest rate thereof;
ii. TSUS's overall balance sheet and the size of its existing Debt Obligations;
iii. The source of security pledged for repayment of the Financial Obligation and the rights associated with such pledge;
iv. The length of time that the Financial Obligation is to remain outstanding; and,
v. Other appropriate terms of a Financial Obligation that will impact TSUS's financial condition and/or existing security holders in a manner deemed Material by the Disclosure Officer.

The Disclosure Officer, shall set objective standards of materiality with respect to Debt Obligations incurred by TSUS, which may include, but are not limited to, a monetary threshold that, in connection with other relevant facts and circumstances, is the basis for the determination of materiality for Financial Obligations or Terms Affecting Security Holders of TSUS. With respect to lease agreements entered into by TSUS, the Disclosure Officer shall assess whether such lease agreements are Material Financial Obligations.

(c) A Financial Obligation and Terms Affecting Security Holders is considered to be incurred by TSUS on the date that such Financial Obligation or Terms Affecting Security Holders is enforceable against TSUS. As a filing under Event 15 is required to be made in a timely manner, not in excess of ten (10) Business Days after date of incurrence, the Disclosure Officer shall begin the process of assessing whether a particular Financial Obligation or Terms Affecting Security Holders should be disclosed as far in advance of its incurrence as possible. Additionally, although not required, the Disclosure Officer may file a voluntary filing of all outstanding Material Financial Obligations incurred prior to TSUS becoming subject to the reporting requirements for Event 15.

(d) The Disclosure Officer is not obligated to disclose, as a Financial Obligation or Terms Affecting Security Holders subject to Event 15, Municipal Securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. The Disclosure Officer recognizes that this exclusion from the definition of "Financial Obligation" does not extend to

Debt Obligations, contingent or otherwise, related to such Municipal Securities that may be disclosed or referenced in such final official statements.

(e) The Disclosure Officer is not required to disclose monetary obligations resulting from a judicial, administrative, or arbitration proceeding as an Event Notice.

(f) The Disclosure Officer understands that qualifying Debt Obligations or Financial Obligations such that payment is subject to annual appropriation may remove the "debt" designation for state constitutional or statutory purposes; however, this qualification alone will not be determinative as to whether TSUS or Obligated Person has incurred a Material Financial Obligation; rather, when analyzing Debt Obligations and Financial Obligations that are subject to annual appropriation, the Disclosure Officer shall determine whether such Financial Obligation is Material.

(g) Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that a Debt Obligation incurred by TSUS is a Financial Obligation or Terms Affecting Security Holders that are Material and not exempt, and therefore subject to Event 15, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA a notice not in excess of ten (10) Business Days of the date of the incurrence of the Financial Obligations or Terms Affecting Security Holders. The Disclosure Officer shall include a description of the Material terms of the Financial Obligation or Terms Affecting Security Holders within the Event 15 Event Notice. Terms considered Material for Event 15 may include, but are not limited to:

i. The date of incurrence;
ii. Principal amount;
iii. Maturity and amortization;
iv. Interest rate, if fixed, or method of computation and any default rates, if variable; or
v. Other appropriate terms deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with such incurrence of Financial Obligations or Terms Affecting Security Holders.

The Disclosure Officer shall determine, based on the facts and circumstances, whether to submit to the MSRB a description of the Material terms of the Financial Obligation or the Terms Affecting Security Holders, or alternatively or in addition, submit related materials such as transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders that set forth the material terms of the Financial Obligation or the Terms Affecting Security Holders. The Disclosure Officer shall not include, and shall take actions to redact, confidential information such as account numbers or other personally identifiable information (but not information relating to an interest rate or other pricing data). Should the Disclosure Officer determine that filing one or more of the transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders is appropriate under this subsection, the Disclosure Officer may redact any confidential or personally identifiable information from the Event 15 Event Notice.

Additional Considerations for Event 16

If the Disclosure Officer determines that an Event 16 has occurred with respect to TSUS, the Disclosure Officer will file or cause to be filed with the MSRB through EMMA a notice of Event 16, whether Material or not, provided the occurrence reflects financial difficulties of TSUS. The Disclosure Officer shall file an Event 16 Event Notice even where the underlying Financial Obligation was incurred prior to TSUS becoming subject to the reporting requirements for Event 16.

(a) The Disclosure Officer shall disclose to the MSRB the occurrence of an event listed in Event 16 only if the Disclosure Officer, determines that the occurrence of the event reflects financial difficulties of TSUS.

(b) Subject to above sentence, the Disclosure Officer should disclose any occurrence in connection with the terms of a Financial Obligation that reflects financial difficulties of TSUS. Such occurrences may include, but are not limited to the following types of events:

i. Monetary defaults or events of non-appropriation where TSUS has failed to pay principal, interest, or other funds due, or a non-payment related default where TSUS has failed to comply with specified covenants;
ii. An event of acceleration exercised by a trustee or counterparty as the result of an event of default or other applicable remedy provision;
iii. A modification of terms that reflects financial difficulties of TSUS;
iv. A written or verbal waiver of an agreement provision that is a departure from what was agreed to under the original terms of such agreement; and,
v. Other events under the terms of a Financial Obligation that reflect financial difficulties of TSUS and share similar characteristics with the specific types of events in Event 16.

(c) Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that, in connection with the terms of a Financial Obligation of TSUS, TSUS is experiencing financial difficulties pursuant to Event 16, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA an Event 16 notice filing within ten (10) Business Days of the date of such determination containing a description of the relevant terms of the Financial Obligation. Terms considered relevant to an Event 16 notice filing may include, but are not limited to:

i. The provisions within the Financial Obligation giving rise to the occurrence under Event 16;

ii. The nexus between the terms of such Financial Obligation giving rise to the occurrence under Event 16 and the existing or potentially forthcoming financial difficulties resulting therefrom;
iii. A description of TSUS's current financial status; and,
iv. Other appropriate facts deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with the occurrence of events relating to a Financial Obligation that reflect financial difficulties.

Periodic Review

The Disclosure Officer shall conduct a periodic review of the policies set forth in this Policy.

APPENDIX A

The Texas State University System

Intent to Reimburse Planned Expenditures from Bond Proceeds

(for projects not previously approved under the CIP)

Components complete, obtain component CFO approval and forward approved form to finance@tsus.edu. TSUS VC&CFO will approve and return a copy for the component's records.

Component: ______________________

Project: ______________________

Project Amt: ______________________

Expense Category	Planned Reimbursement
Pre-Construction	$ -
Architect/Engineer	-
Commissioning, Testing & Balancing	-
Hazardous materials abatement	-
Relocation/Moving	-
FF&E Interior Design Consultant	-
Historical Commission/Antiquities Committee/Archeology Survey Clearance	-
Survey	-
Geotechnical Services	-
Administrative Fee	-
Other (Specify) -	-
Other (Specify) -	-
Total	$ -

Component Approval:

CFO Signature

CFO Printed Name

Date

System Administration Approval:

VC&CFO Signature

Daniel Harper

VC&CFO Printed Name

Date

APPENDIX B

The Texas State University System
Application for Reimbursement of Actual Expenditures from Bond Proceeds

Components complete, obtain component CFO approval and forward approved form to finance@tsus.edu. TSUS VC&CFO will approve and return a copy for the component's records.

Bond Series: ______________________________

Component: ______________________________

Project: ______________________________

Project Amt: ______________________________

Expense Category	Amount from Declaration of Official Intent	Actual Reimbursement
Pre-Construction	$ -	$ -
Architect/Engineer	-	-
Commissioning, Testing & Balancing	-	-
Hazardous materials abatement	-	-
Relocation/Moving	-	-
FF&E Interior Design Consultant	-	-
Historical Commission/Antiquities Committee/Archeology Survey Clearance	-	-
Survey	-	-
Geotechnical Services	-	-
Administrative Fee	-	-
Other (Specify) -	-	-
Other (Specify) -	-	-
Total	$ -	$ -

Component Approval:

CFO Signature

CFO Printed Name

Date

System Administration Approval:

VC&CFO Signature

Daniel Harper

VC&CFO Printed Name

Date