

BAY de NOC COMMUNITY COLLEGE BOARD OF TRUSTEES POLICIES

2000 BUSINESS AFFAIRS

2024 POST-ISSUANCE TAX COMPLIANCE FOR TAX-EXEMPT OBLIGATIONS AND TAX CREDIT BOND POLICY

It shall be the policy of the Bay de Noc Community College Board of Trustees, to ensure that all tax-exempt obligations issued by Bay de Noc Community College satisfy and will continue to satisfy all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and regulations thereunder (the "Regulations"). Tax-exempt borrowings and other borrowings of the College, including but not limited to tax-exempt bonds, refunding bonds, tax credit bonds, installment and lease purchase agreements, lines of credit, revenue anticipation notes, tax anticipation notes and bond anticipation notes shall generally be referred to as Obligations."

The College reserves the right to use its discretion as necessary and appropriate to make exceptions to this Compliance Policy or request that additional requirements be adhered to as circumstances warrant. The College also reserves the right to amend this policy and all related procedures from time to time as deemed necessary in the College's sole discretion. In addition, this policy is subordinate to the Code and any regulations thereto and is subject to amendment or deletion depending on the content of any new regulations or Code amendments promulgated by the United States Treasury.

PROCEDURE:

2024.1 Debt Compliance Officer

The Vice President of Finance and Operations shall serve as the Debt Compliance Officer for the College.

The Debt Compliance Officer shall implement procedures for the purpose of monitoring compliance with regard to all tax-exempt or tax-advantaged obligations. The procedures established and implemented by the Debt Compliance Officer shall encourage the timely identification of noncompliance. The Debt Compliance Officer shall ensure that the College maintains a record of such compliance reviews. Further, the Debt Compliance Officer will ensure that this Post-Issuance Debt Compliance Policy and procedures, if any, are updated on a regular and as needed basis, as well as establish procedures designed to detect non-compliance and to promptly address the necessary steps in the event non-compliant actions or inactions are detected.

This Post-Issuance Tax Compliance Policy shall apply to all Obligations designated as having tax-exempt or tax-credit status issued on behalf of the

College. The duties of the Debt Compliance Officer shall include, but not be limited to, the following:

- 1) oversee and manage compliance with the Code and Regulations, as defined above, as well as other general requirements;
- 2) monitor the use of proceeds from Obligations and ensure that such use is proper and timely;
- 3) supervise timely filings of reports or forms required by state and federal agencies, as applicable;
- 4) monitor arbitrage yield restriction and rebate requirements under the Code;
- 5) develop training programs, as necessary, for the purpose of training individuals responsible for the proceeds of the tax-exempt or tax-advantaged debt;
- 6) monitor compliance with six-month, 18-month or 2-year spending exceptions, if applicable; and
- 7) establish procedures to address non-compliance with state or federal law immediately upon the discovery of such non-compliance.

2024.2 External Advisors/Documentation

The College shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the issuance of an Obligation to identify requirements and to establish procedures necessary or appropriate so that the Obligation will continue to qualify for tax-exempt status or tax credit status, as applicable.

The College also shall consult with advisors, bond counsel or other legal counsel, as needed, following issuance of an Obligation to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in use of assets financed (or refinanced) with the Obligations issued. This requirement shall be documented in the tax certificate and/or other documents finalized at or before issuance of the Obligations.

The College shall be responsible to determine (or obtain expert advice to determine) whether arbitrage rebate calculations or rebate payments are

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required to be made for the Obligations. If it is determined that such calculations are required or likely to be required, the College shall engage an advisor (hereinafter "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable with respect to the investment of proceeds from the issuance of the Obligations, or shall otherwise ensure that it has adequate financial, accounting and legal resources of its own to make such calculations.

In lieu of engaging an outside Rebate Service Provider, the College may make a determination that it has sufficient capabilities using its own personnel, supported by its regular accounting and legal advisers, to be able to complete the required rebate calculations. Such determination shall be evidenced in writing with specific reference to the personnel and advisers to carry out the calculations, and such written determination shall be maintained in the records of the bond transaction.

The College shall file or cause to be filed all required IRS forms and make any rebate payments required on a timely basis. Unless otherwise provided by the indenture relating to an Obligation, unexpended proceeds shall be held by a trustee or other financial institution, and the investment of bond proceeds shall be managed by the College. The College shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving proceeds of the Obligations.

2024.3 Arbitrage Rebate and Yield

The Debt Compliance Officer or his/her designee shall be responsible for overseeing compliance with arbitrage rebate requirements under federal tax regulations. The following requirements shall apply to any Obligation issued by the College for which compliance with arbitrage rebate requirements under the Code and Regulations is required:

- 1) If at the time of issuance of any Obligation, based on reasonable expectations set forth in the Tax Certificate or other applicable document(s), it appears likely that the Obligation will qualify for an exemption from the rebate requirements, the College may defer taking any of the actions set forth in subsection (2). Not later than the time of completion of construction or acquisition of the project, and depletion of all funds from the project fund, the College in consultation with the appropriate professionals shall make a determination if expenditure of the bond proceeds qualified for exemption from the rebate requirements based on spending within 6 month or 18 month period after issuance. If rebate exemption is determined to be applicable, the College shall prepare

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and maintain a record to support such conclusion. If the transaction does not qualify for rebate exemption, the College shall initiate the steps set forth in (2) below.

- 2) If at the time of issuance of any Obligations it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to (1) above, the College shall:
 - a) engage the services of a Rebate Service Provider or assign college personnel capable of preparing a rebate analysis for the Obligation and, prior to each rebate calculation date, cause the trustee or other financial institution investing bond proceeds to deliver periodic statements concerning the investment of proceeds to the Rebate Service Provider or relevant college personnel handling the rebate calculation;
 - b) provide to the Rebate Service Provider, or relevant college personnel conducting any rebate calculation, additional documents and information reasonably requested by the Rebate Service Provider or college personnel;
 - c) monitor efforts of the Rebate Service Provider or college personnel;
 - d) in the case of obligations issued by the College, assure payment of required rebate amounts, if any, no later than the applicable rebate payment due date for such Obligation for which rebate is due;
 - e) during the construction period of each capital project financed in whole or in part by an Obligation, monitor the investment and expenditure of bond proceeds and consult with the Rebate Service Provider or relevant college personnel handling rebate calculation to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months or 18 months, as applicable, following the issue date of the Obligations; and
 - f) retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements."

2024.4 Use of Bond Proceeds and Bond-Financed or Refinanced Assets

The Debt Compliance Officer, or his/her designee, shall be responsible for:

- 1) monitoring the use of Bond proceeds (including investment earnings and including reimbursement of expenditures made before bond issuance) and the use of the debt obligation financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Obligations to ensure compliance with covenants and restrictions set forth in the Tax Certificate or other applicable agreements relating to the Obligations;

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- 2) monitoring the use of Bond proceeds (including investment earnings and including reimbursement of expenditures made before bond issuance) and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Obligations to ensure compliance with covenants and restrictions set forth in the Tax Certificate or other applicable agreements relating to the Obligations;
- 3) maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Obligations (including investment earnings and including reimbursement of expenditures made before bond issuance), including a final allocation of Bond proceeds as described below under “Record Keeping Requirements”;
- 4) consulting with bond counsel or other professional advisers in the review of any change in use of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate or other applicable agreements relating to the Obligations;
- 5) conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discussing any existing or planned use of debt obligations financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate or other applicable agreements relating to the Obligations;
- 6) to the extent that the College discovers that any applicable tax restrictions regarding use of proceeds will or may be violated, consulting promptly with bond counsel or other professional advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary;
- 7) to the extent that tax-exempt proceeds from the debt obligation were used to acquire an existing building, confirming that qualified rehabilitation expenditures in an amount equal to at least 15% of the amount of such proceeds were made no later than 24 months after the later of (1) the date of issuance of the Obligations, or (2) the date of acquisition of the building;
- 8) the College shall review the debt obligations at least annually in order to determine if this Policy and state and federal law are being adhered to; and
- 9) undertaking the following:

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- a) retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements” and, upon request, providing such copies to the bond issuer;
- b) with respect to tax credit bonds, confirming that 100% of available project proceeds are spent within three years of issue date of bonds;
- c) with respect to facilities financed by tax credit bonds, confirming that such facilities continue to be used for a qualified purpose for the life of the Obligations; and
- d) with respect to other types of exempt facilities, adopting any such procedures that bond counsel or other professional advisors deem appropriate to periodically assess whether such facility continues to qualify as an exempt facility.

All relevant records and contracts shall be maintained as described below.

2024.5 Record Keeping Requirement

The Debt Compliance Officer, or his/her designee, shall be responsible for maintaining the following documents for the term of each Obligation (including refunding bonds, if any) plus at least three years:

- 1) a copy of the closing transcript(s) and other relevant documentation delivered to the College at or in connection with closing of the issue of Obligation;
- 2) a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond; and
- 3) a copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements as well as copies of all bidding documents, if any.

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