

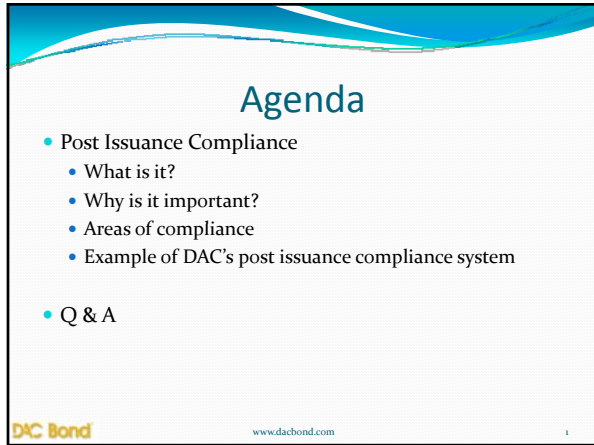


Post Issuance Compliance

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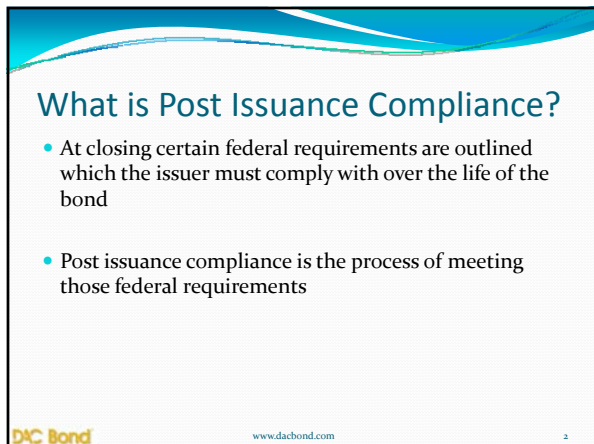
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Agenda

- Post Issuance Compliance
 - What is it?
 - Why is it important?
 - Areas of compliance
 - Example of DAC's post issuance compliance system
- Q & A

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What is Post Issuance Compliance?

- At closing certain federal requirements are outlined which the issuer must comply with over the life of the bond
- Post issuance compliance is the process of meeting those federal requirements

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Why should I care?

- **Reason One:** The IRS cares
 - In recent years IRS shifted focus from structuring a transaction to compliance after the bond is issued
 - A series of questionnaires indicate increased scrutiny over the area of post issuance compliance
 - 2007: 501 (c) 3
 - 2009: Governmental

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IRS Questionnaires

- Inquired about the policies and procedures in place to comply with federal tax requirements
 - Asked for specific, not general, answers
 - The existence of policies and procedures was not enough, asked for details on how the procedures were implemented
- Recent questionnaire indicates even greater responsibility

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Questionnaire Results

- **95%** reported having written policies and procedures in place
- Only **49%** of the issuers actually had either
 - Specific written policies and procedures (**16%**)
 - Implemented an ad hoc process (**33%**)
- IRS stated issuers with specific procedures in place were most likely to be in compliance with federal regulations.

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IRS Audit Statistics

- FY 2009
 - Closed 581 audits
 - TEB representatives almost doubled
 - Brings TEB unit to over 100 agents
- FY 2010
 - Closed 1560 audits
 - Nearly triple the previous year

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Why should I care? (cont.)

- **Reason Two:** Compliance is your responsibility
 - At issuance you stated to bond counsel the issue would remain in compliance
 - Bond counsel's opinion is based upon your assurances and if the issue fails to meet federal tax requirements it will not be bond counsel who is responsible.

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Why Should I Care? (cont.)

- **Reason Three:** The Carrot
 - Having an effective compliance system in place can ease the burden of an IRS audit
 - With an effective compliance system comes the confidence to undertake new opportunities

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Checklist For Compliance With Federal Tax Rules

- Basic information should be maintained with respect to every bond issue
 - Original financing documents
 - Arbitrage compliance
 - Tracking Bond Proceeds
 - Use of Bond Financed Facilities
- Record retention
 - Do you have the records to support this information?
 - How/Where are the records stored?

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Tracking of Bond Proceeds & Use of Bond Financed Facilities

- Element of compliance that involves all levels of the organization
 - Knowing how the facilities are used is not enough but must be coupled with the information on the amount of bond proceeds allocated to the area
 - Unfortunately, with the expansion of Schedule K it is no longer sufficient to simply state you are under 5%
 - The information on expenditures and use must be coupled to estimate to 1/10% accuracy the private use for the corresponding reporting period

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Private Business Use

- Private business use means direct or indirect use of property in a trade or business carried on by any person other than a governmental unit
- No more than 5% of the proceeds of a bond issue can be used for private business use purposes
- Measured over the life of the bond; reported annually

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Types of Private Business Use Arrangements

- Ownership
- Leases
- Management Contracts
- Output Contracts
- Research Agreements
- Special Legal Entitlement
- Special Economic Benefit

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Post Issuance Compliance Monitoring & Record Retention System

HOME BONDS FACILITIES CONTRACTS DOCUMENTS REPORTS REMINDERS REFUNDING

Issue Description: Series 2010 A, General Revenue Bonds, 11,198,000, Sample State University

PBU DASHBOARD ISSUE INFORMATION

Customizable reports

Private Business Use

- Combined Private Business Use Report
- Private Use Summary Report
- Private Use Detail Report
- Management Report
- Private Business Use Modeling

Model potential private use agreements

Record Retention

- BO338 (1)
- Tax Certificates (1)
- Arbitrage (1)
- Facilities
- Equipment
- LOC / SBPA
- Proceeds Exp + Supp Docs
- Bond Documents
- Other

View / Upload

Facility/Project

Show Facility/Project: Refunded New Money Private Use No Private Use

Location: Main Campus (East)

1. Facility: W. Shakespeare School of Arts

1. Project: Auditorium Construction 100

Access record retention Anytime, Anywhere, Anyplace With email capability

View details of project; including expenditure documentation

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Post Issuance Compliance Monitoring & Record Retention System

HOME BONDS FACILITIES CONTRACTS DOCUMENTS REPORTS REMINDERS REFUNDING

[Quick Add Facility | Upload Facility Spreadsheet] | Showing all facilities | Change

Short Term Use

1. Location: Main Campus (East)

1. Facility: J.A. Williams Business Building (1234)

1. Facility: W. Shakespeare School of Arts (1234)

1. Project: Auditorium Construction (123-12345) 100

1. Bond: Series 2010A, Dated 05/13/2010

2. Bond: Series 2009, Dated 03/19/2009

2. Location: Main Campus (West)

1. Facility: G.W. Student Union (1234)

1. Facility: Hughes Street Parking Facility (1234)

1. Project: Construction Project (Phase B) (123-12345) 100

1. Bond: Series 2010A, Dated 05/13/2010

2. Bond: Series 2009, Dated 03/19/2009

1. Facility: O'Brien Building (123)

1. Facility: Student Services Building (123)

1. Facility: XYZ Basketball Area (123)

Facility/Project IDs tie to internal accounting records

System tracks refunding history of projects

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Post Issuance Compliance Monitoring & Record Retention System

HOME BONDS FACILITIES CONTRACTS DOCUMENTS REPORTS REMINDERS REFUNDING

Contract private use successfully added.

View all private use agreements by location

Add Contract | Changing all contracts | Change

- 1. Ara Health Management Agreement
Location: Main Campus (West)
Facility: Student Services Building (943)
Project: Renovation (55-1250) 04
Private Use Wizard Documents (1)
- 2. Dr. J. Research Agreement
Location: Main Campus (West)
Facility: Student Services Building (943)
Private Use Wizard Documents (1)
- 3. Wino Summer Camp
Location: Main Campus (West)
Facility: J. Doe Dormitory Complex (943)
Private Use Wizard Documents (1)
- 4. Star-jobbers Cotton Shop
Location: Main Campus (West)
Facility: Student Services Building (943)
Project: Renovation (55-1250) 04
Project: S.S. Project (Phase B) (55-1250) 04
Private Use Wizard Documents (1)
Star Dollars Lease Agreement 98.68.2005 41.8 KB

Monitor use with quick access to supporting documentation

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Post Issuance Compliance Monitoring & Record Retention System

HOME BONDS FACILITIES CONTRACTS DOCUMENTS REPORTS REMINDERS REFUNDING

Reminders

- Contract Expiration (Monthly)
- Schedule K (30 days before and 60 days after FYE)
- Arbitrage Rebate (120 days before Dated Date + 5 years, for selected bond issues)
- Upload Bank Statements (Monthly)
- TCS 8038-CP Filing (50, 60 and 90 days before payment date)
- Annual Walkthrough (30 days before the 1st of January)

Reminder Email Recipients

Bond Issues

Issue Date and Series	Arbitrage Rebate	Upload Bank Statements
	All None	All None
1. 05/13/2010 2010A	<input type="checkbox"/>	<input type="checkbox"/>
2. 03/19/2009 2009	<input type="checkbox"/>	<input type="checkbox"/>
3. 01/20/2007 2007A	<input type="checkbox"/>	<input type="checkbox"/>

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Post Issuance Compliance Monitoring & Record Retention System

HOME BONDS FACILITIES CONTRACTS DOCUMENTS REPORTS REMINDERS REFUNDING

Issue Description: Series 2010 A - Annual Revenue Bonds - \$1,886,000, General Revenue Bonds, Series 2009A, Dated: 3/19/2009

Select the bonds to be refunded.


Issue Description

- Boise State University, \$42,595,000, General Revenue and Refunding Bonds, Series 2009A, Dated: 3/19/2009
- \$6,365,000 Boise State University General Revenue and Refunding Bonds, Series 2007 A
- Boise State University, 31,480,000, General Revenue Bonds, Series 2004A, Dated: February, 18 2004

Issue Price	Refunded Amount	Percentage	Notes
\$32,265,563.89	\$18,456,000.00	57.20	The 2010A issue refunded 18,456,000 of the 2004A issue. The refunding proceeds are proportionally applied to all the 2004A projects.

Refunding notes that correlate to the tax certificate

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Computation	Date Range	Combined Private Use		Cumulative Amount (\$)	Financial Property		Total Property Use %
		Percentage	Amount (\$)		Unrelated Trade or Business Use %	Other Property Use %	
1. Total Private Use For Reporting Period	01/15/2004 - 06/30/2004	6.14	\$505,095		0.00	4.74	4.74
	07/01/2004 - 06/30/2005	6.17	\$75,656.13	\$579,752.10	0.00	4.76	4.76
	07/01/2005 - 06/30/2006	6.20	\$76,071.90	\$655,824.00	0.00	4.79	4.79
	07/01/2006 - 06/30/2007	4.48	\$48,348.95	\$704,173.03	0.00	3.04	3.04
	07/01/2007 - 06/30/2008	4.48	\$48,481.43	\$752,654.45	0.00	3.04	3.04
	07/01/2008 - 06/30/2009	4.48	\$48,348.95			3.04	3.04
2. Total Actual Private Use To Date	07/01/2009 - 06/30/2010	4.48	\$48,348.95	\$849,352.36	0.00	3.04	3.04
	01/15/2004 - 06/30/2011	5.03	\$46,097.08	\$895,449.44			
	07/01/2004 - 06/13/2011 <small>Click here to compare Actual Private Use Dates</small>	5.03	\$46,097.08	\$895,449.44			
	07/01/2010 - 06/30/2011	4.48	\$48				
3. Total Estimated Private Use Over Life of Bonds	07/01/2011 - 06/30/2013	4.48	\$48,481.42	\$946,182.72	0.00	3.04	3.04
	01/15/2004 - 06/30/2013	2.83		\$1,115,609.29			

Annotations:

- Past, current & future private use percentages
- Receive alerts when exceeding 5%
- Blend the percentage down over the life of the bond



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Other Features

- Equity and Taxable financing
 - Monitor the effect that non-exempt contributions have on the overall private use of your facilities
- Measure private use by square feet, revenue, avg. hours used per day, or any other acceptable methodology
- CPE certification webinars to facilitate ongoing education in the area of bond compliance

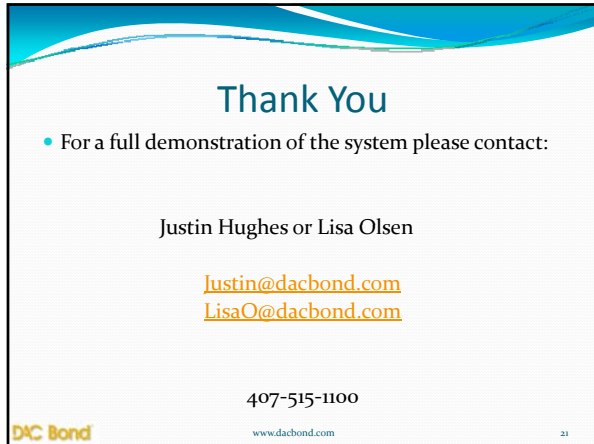


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The Big Picture

- Create a post issuance compliance system that goes beyond basic statements and assurances
- Electronic storage for all pertinent documentation which can be accessed from any location
- Gain the confidence to take advantage of opportunities that may benefit your organization



Thank You

- For a full demonstration of the system please contact:

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