



Debt Policy

Southern Illinois University System Debt Policy

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Southern Illinois University System

Debt Policy

I. Policy Statement

The University's use of debt plays a critical role in ensuring adequate and cost-effective funding for the acquisition, construction and renovation of capital assets. Since debt is a limited resource, it must be managed strategically in order to best support the University's priorities. The following Debt Policy sets forth the guiding principles for the issuance of debt and provides a framework by which decisions will be made regarding the use and management of debt.

The University's debt management goals are to:

- Use debt as a means to fund mission-critical projects.
- Strategically manage debt in order to maintain continued access to capital markets and maintain an acceptable credit rating.
- Manage risk within the University's debt portfolio.
- Achieve lowest cost of capital possible consistent with the first three goals.

The objectives of this policy are to:

- Outline the legal and regulatory authority by which the University can issue debt.
- Establish a framework for prioritizing projects and approving debt issuance.
- Establish guidance for debt capacity parameters.
- Outline debt compliance and reporting requirements.
- Provide a framework for the University's debt management strategies.

II. Legal & Regulatory Authority

All debt issued by the Southern Illinois University System will be issued under the provisions of the legal and regulatory authority described below.

1. Constitutional Authority

Article IX, Section 9 of the Constitution of the State of Illinois permits State colleges and universities to issue bonds or other evidence of indebtedness for such purposes and in such amounts as may be authorized by law, but such debt may not be secured by the full faith and credit or tax revenue of the State and cannot be repaid, directly or indirectly, from tax revenue.

2. Revenue Bonds

The Board is authorized to issue revenue bonds pursuant to the Southern Illinois University Revenue Bond Act (110 ILCS 525/1 et seq.) (the "Revenue Bond Act") for

campus and programmatic basis. The President recommends project financing and brings forward to the Board of Trustees

through and beyond the life of the debt obligation. The Board Treasurer is responsible for ensuring these compliance and reporting requirements are maintained.

1. Compliance with the SEC Laws

The University will meet its ongoing disclosure requirements in accordance with the Securities Exchange Commission Rule 15c2-12, by submitting financial reports, statistical data, and any other material events as required.

2. Compliance with IRS Regulations

In order to access tax-exempt financing, the University must comply with all applicable IRS regulations including, but not limited to, regulations relating to the use of bond proceeds, the use of bond financed facilities, and arbitrage in order to maintain the debt instrument's tax-exempt status.

3. Compliance with Covenants

Debt issuance often comes with covenants, which are legally enforceable commitments made by the issuer. These covenants include the Interest Sinking Fund, Debt Service Reserve and Repair & Replacement Reserve funding requirements and distribution of financial reports. In fulfilling such covenants, the Board hereby establishes that the minimum annual deposit to the HAFS Repair & Replacement Reserve will be an amount equal to 10% of the Maximum Annual Debt Service or such other lesser amount as may be determined by the Board Treasurer.

4. Debt Compliance Policy

The Board Treasurer has established a Debt Compliance Policy, which includes, but is not limited to, the following procedures and processes used to assist in monitoring these compliance and reporting requirements.

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1. Methods of Sale

The University will consider various methods of sale. Negotiated, competitive, private placement, and bank qualified

8. Taxable Debt

The University will manage its debt portfolio to minimize its taxable component in