**Tax-Exempt Bond Arbitrage Reporting Procedures**

**Effective Date: August 30, 2012**

**Overview**

Emory University (Emory) is required by U.S. Treasury regulations to report any arbitrage earned on its investment of tax-exempt bond proceeds. The yield earned on the investment of the tax-exempt bond proceeds cannot be materially higher than the yield on the bond issue. Arbitrage is the difference between the actual earnings on the proceeds and what the proceeds could have earned had they been invested at the same rate as the bond yield. If actual earnings exceed potential earnings calculated at the bond yield, the issue is in "positive arbitrage." If actual earnings are less than the bond yield, the issue is in "negative arbitrage."

**Procedures**

The Tax and Arbitrage Certificate provides the timing of the required arbitrage calculation due for each series of bonds or notes issued. Arbitrage reporting is required for Emory’s fixed and variable rate tax-exempt bonds and notes but is not required for its taxable bonds; Emory must also complete arbitrage reporting on each of its tax-exempt commercial paper program orders. After every new bond or note issuance, a member of the Debt Management Group reviews the “Rebate Section” of the Tax and Arbitrage Certificate and updates the required calculation date(s) to a comprehensive arbitrage calculation schedule which includes all of Emory’s outstanding bonds and notes. The Debt Management Group maintains the comprehensive schedule of Emory’s arbitrage calculation dates and works with the arbitrage rebate consultant to ensure the arbitrage calculation and report is completed in a timely manner. This is done to ensure that payment, if any is required, is made to the Internal Revenue Service (IRS) by the required date stated in the Tax and Arbitrage Certificate.

In the event that an arbitrage calculation and report for a tax-exempt bond, note or commercial paper program order indicates that Emory has positive arbitrage and is required to pay a yield reduction payment to the IRS, Emory works with its Bond Counsel and the IRS to complete the appropriate communication, proper filing and payment in the required timeframe.

If Emory meets the two-year, 18-month or 6-month spending exception on the bond proceeds, an arbitrage rebate report does not need to be completed by the arbitrage rebate consultant. However, Emory works with the arbitrage rebate consultant to complete a spending exception report. If defined spend down requirements are met, Emory does not need to rebate any liability. Emory maintains copies of all final arbitrage or spending exception reports in its files and the report date is indicated on the comprehensive arbitrage calculation schedule.