Cal Poly Pomona ENTERPRISES

CORPORATE POLICY

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Executive Policy Statement

Cal Poly Pomona Foundation, Inc., operating as Cal Poly Pomona Enterprises ("CPPE"), will incur debt only when it advances CPPE's authorized mission, preserves long-term financial capacity, and complies with all applicable California State University ("CSU"), University, legal, tax, and contractual requirements. No debt may be committed, issued, incurred, or materially modified without the approvals required by this policy.

CPPE will use the CSU Systemwide Revenue Bond ("SRB") Program or Commercial Paper ("CP") Program for capital financing unless another structure is expressly permitted and approved under CSU

policy. CPPE shall satisfy all applicable CSU, campus, and financing-document debt-service coverage requirements.

A. Purpose

This policy establishes a comprehensive framework to:

1. govern the authorization, structuring, issuance, administration, and repayment of debt;
2. preserve CPPE's financial strength, liquidity, unrestricted revenues, assets, and future borrowing capacity;
3. ensure that debt is used only for mission-aligned purposes and assets with appropriate useful lives;
4. comply with CSU requirements applicable to auxiliary organizations and the SRB and CP Programs;
5. establish controls for compliance with the covenants and post-issuance obligations of each applicable financing agreement; and
6. provide the Board of Directors with consistent information for approving and monitoring debt.

B. Scope

This policy applies to CPPE and all of its divisions, enterprises, programs, funds, and controlled entities. It governs the issuance or incurrence by CPPE of the following debt instruments:

7. SRB and CP obligations;
8. bank and other loans, notes, and bonds, whether publicly offered or privately placed;
9. finance leases, installment purchase or sale agreements, and certificates of participation; and
10. refundings and material amendments, restructurings, or replacements of any covered debt instrument.

California Code of Regulations, title 5, section 42500(c), expressly defines auxiliary debt instruments to include loans, notes, bonds, finance leases, installment purchase or sale agreements, and certificates of participation. Because those categories are required by the regulation, they remain within this policy even though other routine commercial arrangements are excluded.

Ordinary-course trade payables, operating leases that are not finance leases, undrawn credit facilities, and stand-alone letters of credit, liquidity facilities, reimbursement agreements, guarantees, indemnities, or similar commercial arrangements that do not themselves constitute a debt instrument under title 5, CSU policy, or applicable law are outside this policy. The CFO, in consultation with legal counsel, shall determine whether an arrangement falls within this policy when its classification is uncertain.

C. Authority, Governing Requirements, and Precedence

CPPE is a recognized CSU auxiliary organization and shall conduct financing activities in accordance

with applicable law, CSU policy, University policy, CPPE governing documents, and executed financing agreements.

The principal governing requirements include:

1. California Education Code sections 89900 and 89904;
2. California Code of Regulations, title 5, sections 42401 and 42500;
3. the current CSU Financing and Debt Management Policy;
4. the current CSU Auxiliary Organizations policy and related sound business practice requirements;
5. CPPE's operating agreement with the CSU and California State Polytechnic University, Pomona (the "University");
6. each applicable resolution, loan agreement, indenture, tax certificate, payment schedule, continuing disclosure undertaking, and related financing document.

Applicable law, CSU policy, and executed financing documents shall control in the event of a conflict with this policy. Material conflicts shall be referred to the CFO and legal counsel and, when appropriate, to the University or Board. This policy does not amend or waive an executed financing document.

D. Definitions

Annual Debt Service. Scheduled principal, interest, mandatory sinking fund payments, financing lease payments, and similar required payments during a 12-month period, calculated in accordance with the controlling financing documents. For variable-rate debt, the CFO shall apply the rate assumptions required by the financing documents and any other assumptions the CFO determines appropriate for the proposed financing.

Debt Service Coverage Ratio (DSCR). Annual gross revenues of the applicable Debt Program less annual operating expenses, divided by annual debt service, calculated under the current CSU Financing and Debt Management Policy using debt service information and assumptions approved by the CSU Office of the Chancellor.

Debt. Any obligation within the scope described in Section B.

Debt Program. The CPPE operations whose gross revenues provide the source of repayment for one or more self-support projects, as defined under CSU policy and the applicable approved plan of finance.

Project. The acquisition, construction, renovation, improvement, equipping, or refinancing of real or personal property, or another authorized purpose, for which debt is proposed.

E. Core Policy Principles

E.1 Authorized purpose and affordability

Debt shall finance activities authorized by CPPE's governing documents and operating agreement, consistent with the University's educational mission, and within an authorized auxiliary function. Each financing must have a credible and legally available repayment source. Long-term Debt shall not fund recurring operating deficits, and short-term working-capital borrowing must have a defined repayment source. When applicable, the repayment term should be appropriate for the expected useful life of the financed asset.

E.2 Enterprise-wide risk

Each financing shall be evaluated based on its effect on CPPE as a whole, including potential impacts on unrestricted revenues, assets, liquidity, and future borrowing capacity.

E.3 Transparency and independent review

The Board shall receive sufficient information to evaluate each financing, including material assumptions, total costs, repayment sources, security, covenants, conflicts of interest, and risks. CPPE shall use qualified independent advisors when appropriate for the transaction.

F. Governance and Approval

F.1 Board of Directors

The Board retains authority to:

1. adopt and amend this policy;
2. approve each new Debt obligation and any material pledge or security supporting that Debt;
3. approve the maximum principal amount, purpose, final maturity, security, repayment source, and material financing terms;
4. approve refinancings, restructurings, material amendments, covenant waivers, and prepayments that involve a material cost, risk, or change in economics;
5. approve any variable-rate exposure, derivative, swap, or alternative financing structure associated with covered Debt; and
6. authorize officers to execute documents only after all required CSU and University approvals have been obtained or made express conditions to closing.

Board approval may state a not-to-exceed principal amount and authorize designated officers to finalize terms within defined parameters. A material change outside those parameters requires further Board approval.

F.2 Finance and Investment Committee

The Finance and Investment Committee, or any successor committee assigned financial oversight, shall review each financing recommendation before Board action. The Committee shall review affordability, risks, structure, covenants, alternatives, compliance, and the effect on CPPE's financial capacity.

F.3 Chief Executive Officer

The Chief Executive Officer ("CEO") shall confirm mission alignment, recommend financings to the Board, ensure cross-functional accountability, and execute approved documents within delegated authority.

F.4 Chief Financial Officer

The CFO is the policy administrator and shall:

1. lead the plan of finance, due diligence, risk analysis, and advisor selection;
2. coordinate with the University and CSU Office of the Chancellor;
3. maintain the debt register, compliance calendar, and material financing records;
4. calculate and report CPPE-level and contractual coverage and provide information required for University and CSU evaluations;
5. ensure timely payment of debt-service and other required amounts;
6. monitor applicable tax, disclosure, use-of-proceeds, and other post-issuance requirements; and
7. notify the CEO, Committee Chair, Board Chair, University Chief Financial Officer, and CSU officials as required of any actual or potential default, covenant breach, or material adverse development.

F.5 University and CSU approvals

No Debt instrument may be issued or incurred without prior approval of the University President and all other University, Chancellor's Office, or Trustee approvals required by law or CSU policy. All CSU or auxiliary debt issuance must be approved by the Trustees or under authority delegated by the Trustees.

F.6 No premature commitment

Before required approvals, CPPE may conduct due diligence, seek nonbinding indications, and negotiate documents expressly subject to approval. CPPE shall not sign a binding term sheet, pay a nonrefundable financing fee, authorize a lender to rely on CPPE's credit, pledge assets or revenues, or otherwise commit to Debt before all required approvals.

G. Permitted Financing Structures

G.1 Capital financing

Capital projects shall generally be financed through the CSU SRB or CP Programs unless an alternative structure is permitted and approved under CSU policy. The CFO may recommend other loans or financing structures when appropriate to the purpose and when all required CPPE, University, and CSU approvals are obtained.

G.2 Working-capital borrowing

Working-capital borrowing must address a documented need, have an identified repayment source, and be structured for repayment over a period appropriate to that need. A bank line of credit may be established within Board-approved parameters. Individual draws do not require additional Board approval when they remain within the approved amount, purpose, term, and other material parameters.

G.3 Restrictions

CPPE shall not use Debt for speculative or leveraged investment, pledge restricted resources contrary to law or restriction, grant security prohibited by an existing agreement, or enter into a financing structure prohibited by CSU policy. Derivatives or hedging associated with Debt require specific Board and all required University and CSU approvals.

H. Plan of Finance and Financial Standards

H.1 Financial analysis

Before recommending Debt, the CFO shall prepare a financial analysis appropriate to the nature and materiality of the proposed financing. The analysis shall address the purpose, amount, repayment source, material terms, projected affordability, applicable Debt Service Coverage Ratio (DSCR) requirements, principal risks, alternatives considered, and required approvals. For SRB and CP self-support projects, the analysis shall also include all plan-of-finance elements required by CSU policy.

H.2 Coverage standards

The following standards apply at different organizational levels. CPPE is responsible for calculating and monitoring its auxiliary Debt Program DSCR and any contractual coverage tests. The University and the CSU Office of the Chancellor shall perform their respective oversight and calculation roles for the combined-campus and systemwide standards as described below. CPPE shall provide complete and timely information needed for those evaluations. Compliance with one measure does not substitute for compliance with another.

Measure	Minimum or target	Application
CSU auxiliary Debt Program DSCR	1.10x minimum	Calculated by CPPE using CSU-approved assumptions and debt-service information; subject to University and CSU review
CSU combined-campus Debt Programs DSCR	1.35x minimum	Determined by the University in coordination with CPPE and the CSU Office of the Chancellor; CPPE shall provide the information required for review and approval
CSU systemwide SRB DSCR	1.45x minimum	Calculated and managed by the CSU Office of the Chancellor; CPPE shall provide requested information through the University or directly to CSU, as applicable
Contractual coverage tests	As required	Calculated and certified exactly as required by each applicable financing agreement

No new Debt may be recommended if CPPE's applicable base-case forecast falls below a required

auxiliary Debt Program or contractual minimum, or if the University or CSU Office of the Chancellor determines that a combined-campus or systemwide standard would not be satisfied. An actual or projected breach identified by CPPE, or notice from the University or CSU that a broader standard is not satisfied, requires prompt escalation under Section K.4 and an appropriate corrective action plan.

H.3 Cash contribution

For a CSU self-support project financed through the SRB or CP Program, the plan of finance shall include a cash contribution determined by the CSU based on total Project cost. The contribution must be held in accounts controlled by CPPE or the University, as applicable, and readily available before Debt issuance.

H.4 Liquidity and reserves

CPPE shall maintain sufficient liquidity to meet scheduled debt-service requirements and all legally or contractually required reserves. Restricted funds shall not be treated as available for debt service unless their use is legally permitted.

H.5 Evaluation method

The CFO shall select the financial methods, forecast periods, assumptions, and analytical techniques appropriate to the financing and shall document the material assumptions, conclusions, and principal risks. Any analysis required by CSU, the University, applicable law, or the controlling financing documents shall also be completed.

H.6 Financing assumptions and term

For SRB and CP financings, maturity, amortization, and interest-rate assumptions shall comply with the applicable CSU Financing and Debt Management Policy. Other Debt shall be structured based on its purpose, repayment source, useful life, cost, and risk. Any balloon, bullet, or deferred-amortization structure requires specific Board approval and a credible repayment or refinancing plan.

I. Structuring and Risk Management

I.1 Fixed- and variable-rate debt

CPPE generally prefers fixed-rate, fully amortizing long-term Debt for permanent financing. Variable-rate Debt may be used only when its benefits, liquidity needs, rate-reset exposure, and termination or refinancing risks are documented and approved.

The CSU Office of the Chancellor manages the systemwide requirement that no more than 25% of CSU Debt be unhedged variable-rate Debt, including commercial paper. CPPE shall provide information and comply with any allocation or limitation established by CSU.

I.2 Capitalized interest

Capitalized interest may be used only during an authorized acquisition, construction, renovation, or interim financing period and must be included in total Project cost and debt-capacity analysis. The permanent operating plan must demonstrate payment of debt service from recurring, legally available revenues.

I.3 Derivatives and hedging

CPPE shall not enter into an interest-rate swap or other derivative unless:

1. the Board specifically approves the transaction;
2. all required CSU and University approvals are obtained;
3. independent financial and legal advisors evaluate pricing, counterparty credit, collateral, basis, tax, termination, and accounting risks; and
4. the Board-approved plan identifies ongoing monitoring and exit procedures.

I.4 Security and revenue commitments

Any pledge, lien, collateral assignment, mortgage, or security interest must be specifically disclosed to and approved by the Board and all required CSU authorities. The CFO and legal counsel shall evaluate its effect on existing creditors, donor restrictions, revenues available for debt service, existing legal pledges and negative-pledge covenants, and future borrowing capacity.

I.5 Refunding, restructuring, and prepayment

CPPE may refund, restructure, or prepay Debt when it produces positive risk-adjusted value or advances a documented strategic objective. The analysis shall include net present value savings, all transaction costs and premiums, extension of maturity, use of reserves, changes in covenants or security, accounting effects, tax implications, and any increase in refinancing risk.

J. Financing Compliance

J.1 Payments and required transfers

CPPE shall make all debt-service payments and required transfers in the amounts and by the dates established in applicable CSU notices and financing documents. The CFO shall maintain an internal funding calendar and ensure sufficient funds are available when due.

J.2 Financing, tax, and disclosure compliance

CPPE shall comply with all revenue-pledge, reporting, tax, disclosure, insurance, use-of-proceeds, additional-debt, lien, security, and other requirements contained in applicable law, CSU policy, and financing documents. The CFO shall maintain procedures and records appropriate to monitor these requirements and shall obtain legal, bond counsel, University, or CSU review when required.

J.3 Defaults and material events

The CFO shall promptly escalate any actual or potential default, payment deficiency, covenant breach, tax or disclosure issue, or other material event in accordance with Section K.4 and applicable notice requirements.

K. Post-Issuance Administration and Monitoring

K.1 Debt register

The CFO shall maintain a complete debt register showing, for each obligation:

1. lender or issuer, type of obligation, purpose, and original and outstanding principal;
2. issue date, maturity, interest rate, and scheduled payment dates;
3. repayment source and security, if any;
4. material covenants, coverage tests, and compliance dates; and
5. location of the governing financing documents.

K.2 Compliance calendar

The CFO shall maintain a compliance calendar reflecting the payment, reporting, covenant, tax, disclosure, and notice requirements applicable to each Debt obligation.

K.3 Use of proceeds and financing compliance

Debt proceeds shall be tracked and used only for authorized purposes. CPPE shall maintain appropriate controls and records to support compliance with applicable financing, tax, disclosure, and CSU requirements.

K.4 Defaults and corrective action

The CFO shall notify the CEO, Board Chair, Committee Chair, University chief financial officer, and CSU officials as required immediately upon learning of:

1. a missed or threatened payment;
2. an actual or projected covenant breach;
3. a material error in a representation, report, or coverage calculation;
4. an event that could impair tax-exempt status, revenues pledged under applicable financing documents, or CPPE's ability to perform; or
5. another event that constitutes or could become a material default.

Required notice shall be furnished to the Board of Trustees, CSU officials, lenders, trustees, or other financing parties within the period specified by the applicable financing documents.
Management shall develop an appropriate corrective action plan. No corrective action may violate donor restrictions, law, CSU policy, or financing documents.

L. Board and Committee Reporting

The CFO shall report to the Committee at least quarterly and to the Board at least annually. Reporting shall include:

1. outstanding Debt and scheduled debt-service obligations;
2. applicable CPPE Debt Program and contractual DSCRs, together with any combined-campus or systemwide determinations provided by the University or CSU Office of the Chancellor;
3. compliance with material payment, covenant, tax, and disclosure requirements; and

4. any default, waiver, material amendment, policy exception, or other matter requiring Committee or Board attention.

M. Exceptions, Implementation, and Review

M.1 Exceptions

No exception may waive law, CSU policy, a Trustee or University approval, a tax requirement, or a financing covenant. Any permissible exception to an internal provision of this policy requires prior Board approval based on a written recommendation from the CEO and CFO that describes the reason, duration, financial effect, risks, mitigations, and exit plan.

M.2 Implementing procedures

The CEO and CFO may establish written procedures, forms, calendars, and internal controls consistent with this policy. Administrative updates to the debt register, payment schedules, contact information, and source references do not require amendment of this policy.

M.3 Review

The CFO shall review this policy at least every two years and whenever CSU policy, law, CPPE's financing documents, or CPPE's debt profile materially changes. Proposed amendments shall be reviewed by legal counsel and the Finance and Investment Committee before Board action. This policy becomes effective upon Board approval and applies to all existing and future Debt; existing financing documents remain controlling according to their terms.

Cal Poly Pomona ENTERPRISES

Appendix A - Approval and Review Matrix

Action	Management	Finance and Investment Committee	CPPE Board	University / CSU
Preliminary due diligence; nonbinding market inquiry	CEO/CFO authorize	Informed as appropriate	Not required if no commitment	Early coordination with University President and Campus CFO
Conceptual plan of finance	CEO recommends; CFO prepares	Reviews and recommends	Approves concept or directs further work	University and Chancellor's Office review as required
Final Debt authorization	CEO/CFO recommend	Reviews final terms and risks	Approves maximum amount, purpose, term, security, and parameters	President, Chancellor's Office, Trustees, or delegated approval as required
Bank line of credit or other non-CSU loan	CEO/CFO recommend; CFO evaluates terms and repayment source	Reviews and recommends	Approves maximum commitment, permitted purpose, term, and material parameters	University President approval as required; Chancellor's Office, Trustee, or delegated approval only when applicable
Document execution and closing	Authorized officers execute within parameters	Receives closing update	No further action unless terms exceed authority	Required CSU execution, acknowledgment, or approval
Material amendment, waiver, or new pledge related to covered Debt	CEO/CFO recommend	Reviews	Approves	Required approvals before effectiveness
Refunding, restructuring, or material prepayment	CEO/CFO recommend for non-SRB Debt; SRB Debt recommended by Chancellors Office	Reviews economics and risks	Approves	CSU and other approvals as required
Routine payment, reporting, and covenant administration	CFO administers	Monitors	Receives reports	Information and payments provided as required

Appendix B - Governing Authorities and CSU Guidance

This appendix is informational. Controlling authorities apply as amended.

5. **CSU Financing and Debt Management Policy**, PolicyStat ID 18997742, effective October 28, 2025. Official policy: calstate.policystat.com/policy/18997742

6. **CSU Auxiliary Organizations Policy**, PolicyStat ID 18463478. Official policy

7. **California Code of Regulations, title 5, section 42401**, requiring sound-business-practice fiscal procedures and management systems. Current text

8. **California Code of Regulations, title 5, section 42500**, authorizing specified auxiliary functions and requiring prior campus-president approval and compliance with Trustee policy for auxiliary debt instruments. Current text

9. **California Education Code section 89904**, requiring governing-board approval of auxiliary expenditures and financial standards supporting fiscal viability, working capital, and reserves. Official California Legislative Information