
**TAX-EXEMPT BOND COMPLIANCE POLICY
OF THE ILLINOIS FINANCE AUTHORITY**

As of December, 2013

TAX-EXEMPT BOND COMPLIANCE POLICY

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1. *Purpose and General Approach*

The Illinois Finance Authority (the “Authority”) has caused tax-exempt bonds to be issued for benefit of local governments, nonprofit corporations, for-profit corporations, individuals and other persons (each a “Borrower” and collectively, the “Borrowers”), and expects that it will in the future cause additional tax-exempt bonds to be issued for the benefit of such Borrowers.

Under federal tax law, a number of different requirements must be met in order for bonds to qualify as tax-exempt bonds, including restrictions on use of bond-financed property and restrictions on investment of bond proceeds. Under federal securities laws and State laws, a number of other requirements apply to the Authority’s bonds.

The Authority acknowledges that many of these requirements apply not only on the date of issuance of a bond issue, but also continuously during the term of a bond issue. This Policy sets forth procedures and guidelines that are intended to provide reasonable assurance that each bond issue meets the applicable federal tax law, federal securities law, State law and contractual requirements.

The general approach of this Policy is based on the acknowledgement by the Authority that compliance with the bond requirements is achieved not only by actions taken on the date of issuance of a bond issue, but also actions taken by Borrowers and the Authority throughout the term of the bond issue. In general, the Authority intends that actions it takes on the date of issuance of a bond issue (such as requiring and making representations and covenants in bond documents) and thereafter, will fit into the framework of this Policy. The Authority intends that using this Policy as the general framework for bond compliance will help to ensure consistent adherence to all applicable requirements of federal tax law, federal securities laws and State laws. This Policy acknowledges, however, that Borrowers and the Authority must comply with the specific requirements of bond documents for bonds issued before the adoption of this Policy, which may not be consistent in all respects with specific portions of this Policy.

Another objective of this Policy is to provide a framework to better delineate the responsibilities of the Authority as compared to the responsibilities of the Borrowers, and also of other participants, such as bond counsel, underwriters, financial advisors, and other participants in a bond issue.

The Authority issues bonds for a number of different categories of projects, including (i) Industrial Projects; (ii) Hospital and Healthcare Projects; (iii) Local Government Projects; (iv) Not-for-Profit/Cultural/Educational Projects; (v) Environmental/Pollution Control/Solid Waste/Water or Gas Distribution Projects, (vi) Agricultural Projects; and (vii) Housing Projects. The main portion of this Policy sets forth policies and procedures for all types of bonds issued by the Authority. Appendices to this Policy set forth special policies and procedures for certain types of bond issues, which are grouped as follows: (A) qualified 501(c)(3) bonds (which generally include bonds for Hospital and Healthcare Projects and Not-for-Profit/Cultural/Educational Projects); (B) exempt facility bonds and qualified small issue bonds (which generally include bonds for Environmental/Pollution Control/Solid Waste/Water and Gas Distribution Projects, Industrial Projects, and certain housing projects); (C) governmental bonds (which generally include bonds for Local Government Projects); and (D) agricultural bonds (which generally include bonds for Agricultural Projects).

The Authority intends that this Policy will be a “living” document that will be revised and improved over time to reflect new transactions, changes of law, and ideas for improvement that arise over time as the Policy is implemented in practice.

2. *Responsible Officers and Employees*

This Policy assigns and delegates the responsibility for different aspects of tax-exempt bond compliance to specific officers and employees of the Authority.

The Compliance Officer (the “Compliance Officer”) has general oversight responsibility for compliance with this Policy. Other officers have specific responsibilities as set forth below.

A. *Compliance Officer*

- Recordkeeping requirements that apply to the Authority
- Declarations of intent/inducement resolutions

B. *General Counsel*

- Review of bond documents to assure that the requirements of this Policy are met on the date of issuance
- Review of opinions rendered to the Authority provided on and after the date of issuance
- Examinations by the Internal Revenue Service (“IRS”), the Securities and Exchange Commission (“SEC”) or other governmental authorities
- Voluntary closing agreement and private letter ruling requests
- Review and approve modifications to bond documents

C. *Chief Financial Officer*

- Investment of bond proceeds to the extent the Authority has responsibilities
- Rebate and yield restriction compliance to the extent the Authority has responsibilities
- Forms C-08/C-05 pursuant to State law requirements

D. *Executive Director*

- Execution of bond documents
- Execution of Forms 8038 and other information returns
- Execution of qualified hedge identifications

3. ***General Policies Relating to Role as a Conduit Issuer and Pooled Financing Bond Issuer***

The Authority generally acts as the conduit issuer of its bonds, not the primary obligor. Accordingly, the general policy of the Authority is that all requirements of bond compliance are the responsibility of the Borrower, except as specifically required by federal and State law and to the limited extent that the Authority may take responsibility as a matter of policy as expressly stated in this Policy.

In this Policy, reference to the Borrower generally refers to the conduit borrower of bonds or, if there are more than one conduit borrowers of a bond issue, each of the borrowers of that bond issue to which the provision is applicable.

In addition, the Authority issues certain pooled financing bond issues for which it undertakes special responsibilities (“Authority Pooled Financing Bond Issues”), including responsibilities for the investment of bond proceeds. On or before the date of issuance, the Compliance Officer will designate, as appropriate, a bond issue as an Authority Pooled Financing Bond Issue for purposes of this Policy.

4. ***Requirements of the Borrower***

A. Adoption of Post-Issuance Compliance Policy -- Requirements

On or prior to the date of issuance, the Authority will require the Borrower to adopt a post-issuance compliance policy no later than six months after the date of issuance. The Authority intends and acknowledges that the appropriate detailed provisions of each such post-issuance policy depend on a number of factors, including the type, size and complexity of the bond issue and the Borrower. Each post-issuance compliance policy, however, must contain at least the following basic provisions:

i. Identification of a responsible officer or officers for bond compliance (the “Borrower Responsible Officer”);

ii. Procedures for record retention, including a requirement to maintain records for the entire Record Retention Period specified in Section 5 (generally, four years after the date on which the last bond of the issue is retired);

iii. Procedures to assure that the arbitrage yield restriction and rebate requirements are met; and

iv. Procedures to take remedial action, if required, including acknowledgement of the voluntary closing agreement program of the IRS.

Section III.B.12 of the Bond Program Handbook provides that each Loan Agreement will require the Borrower to provide an annual compliance certificate (see Appendix XX) that includes representations that (i) the Borrower has made a review of its activities during the preceding calendar year for the purpose of determining whether or not the Borrower has complied with all federal tax and federal securities law requirements relating to the bond issue and has determined that the Borrower is in compliance with all such federal tax and federal securities law requirements, (ii) that the Borrower’s post-issuance compliance policy contains at least the requirements listed in this Section 4A and may include any of the provisions included in Section 4B below and (iii) the Borrower is in compliance with its post-issuance compliance policy.

B. *Adoption of Post-Issuance Compliance Policy – Best Practice Provisions*

It is the policy of the Authority to encourage, but not require, each Borrower to adopt a post-issuance policy including the following provisions:

- i.** In the case of new money bond issues, a procedure for a final bond proceeds allocation review;
- ii.** Procedures for at least annual monitoring of the use of financed property;
- iii.** Procedures to track portions of bond-financed projects financed with equity;
- iv.** Procedures to specifically identify separate “issues” for federal tax purposes and any “separate issue” elections and allocations;
- v.** Procedures to use conservative and simplifying conventions.
- vi.** Procedures for reallocation

5. *Recordkeeping Requirements*

The Compliance Officer, or his or her designee, will maintain records for each bond issue described in this section. Borrowers will be responsible for maintaining all other records, including records sufficient to establish that each bond issue complies with the applicable tax-exempt bond requirements.

A. *Separate books and records for each bond issue.* Separate files will be established for each “bond issue” for federal income tax purposes on or before the date of issuance of that bond issue. A bond issue for tax purposes may consist of several different issues of bonds or series of bonds for purposes of State laws. Bond counsel will be contacted on or before the date of issuance of each bond issue to confirm the bonds that are treated as part of the bond issue for federal income tax purposes. This file will be maintained as the “books and records” for the bond issue. A books and records template is attached as Appendix B.

B. *Record Retention Period.* For each bond issue, the books and records will be maintained for the period beginning on the date of issuance of the bond issue and ending four years after the date on which all of the bonds of the issue (and all of the bonds that refund bonds of the issue, if any) are retired (the “Record Retention Period”). The Authority will require the Borrower to maintain records for the Record Retention Period.

C. *Contents of books and records maintained by the Authority.* The books and records for each bond issue maintained by the Authority will contain the following:

- i.** Prior to receipt of the final bond transcript, the executed Form 8038 or Form 8038-G, certified proceedings relating to public approval (if applicable), executed Bond Indenture and Loan Agreement;
- ii.** Application letter, copy of application fee;
- iii.** Assurance letter;
- iv.** Completed costs of issuance form;

- v. The bond transcript;
- vi. Rebate reports provided by the Borrower or, if applicable, obtained by the Authority, executed Forms 8038-T and, if applicable, Form 8038-R; and copies of any rebate checks or rebate refund checks provided to the Authority;
- vii. Annual Compliance Certificates provided by the Borrower (See Appendix D);
- viii. The Project Completion Certificate provided by the Borrower (See Appendix C);
- ix. Qualified hedge identifications (interest rate swap identifications) executed by the Authority;
- x. Correspondence and agreements relating to IRS or SEC examinations of the bond issue;
- xi. Correspondence and agreements relating to voluntary closing agreements and private letter rulings with the IRS concerning the bond issue;
- xii. Records of debt service payments on bonds required by State law (C-05 and C-08 forms);
- xiii. Records relating to any modifications of the bonds or the bond documents of the bond issue, including amendments to bond documents and interest rate mode conversions, which involve the Authority.

Except as otherwise specifically designated by the Compliance Officer or the General Counsel, it is the policy of the Authority not to maintain or review any other records with respect to a bond issue that may be provided by a Borrower or otherwise, including but not limited to Borrower financial statements, Borrower continuing disclosure statements, and documents relating to mechanics' liens and other similar liens on Borrower property.

D. *Contents of books and records required to be maintained by the Borrower*

- i. Copies of all of the information maintained by the Authority described in the preceding Subsection C (except items i, ii, iii, iv and x);
- ii. Information showing how the bond proceeds are spent, which may include invoices and checks or other verifiable information (See Subsection E below for further explanation);
- iii. The Bond Proceeds Allocation Certificate and other post-issuance tax allocations and elections, if any;
- iv. Records of all investments of bond proceeds and any other "gross proceeds" of the bonds;
- v. Records of debt service payments;
- vi. Records establishing that property financed with proceeds of the bond issue is used for a qualifying use;

vii. Records, certifications, and opinions relating to any “change of use” of bond-financed property, including remedial action certificates and opinions;

viii. Records relating to extensions or replacements of guarantees of bonds of the issue, such as letters of credit, and records showing the dates and amounts of any payments for guarantees;

ix. Records relating to interest rate swaps or other derivatives relating to the bonds entered into after the date of issuance, if any, and records showing the dates and amounts of any payments and receipts with respect to each derivative contract;

x. Records relating to any modifications of the bonds or the bond documents of the bond issue, including amendments to bond documents and interest rate mode conversions.

E. *Information showing how bond proceeds are spent required to be maintained by the Borrower.* Records showing how bond proceeds are spent will include:

i. Requisitions to the bond trustee from the project fund;

ii. Bond trustee records relating to other funds and accounts;

iii. Verifiable information showing payments to third parties, which may include copies of invoices and checks sent to unrelated persons.

iv. If bond proceeds are ultimately treated as spent in a manner different than as requisitioned from the bond trustee, the expenditure of bond proceeds records will include the Project Completion Certificate or other tax allocation or election showing how bond proceeds are ultimately spent.

Verifiable information showing expenditures may be physically retained in other files, but information identifying how expenditures can be verified should be included in the books and records.

F. *Detailed records of investments.*

Records showing how bond proceeds are invested will generally include all information required to determine investment yield. In any cases where bond proceeds are not maintained in funds or accounts held by a bond trustee, the designated official of the Borrower will establish a procedure to maintain records that are in substance comparable in detail to customary bond trustee records and specifically advise the Authority of the allocation method used.

G. *Records of debt service payments maintained by the Authority*

The Forms C-08/C-05 serving as records of debt service payments that are collected by the Authority will be destroyed 10 years after receipt.

6. *Expenditure Review and Bond Proceeds Allocation Certificate*

A. *Responsibility for Expenditure Review.* The Borrower Designated Official will be responsible for undertaking a review of expenditures and completing a Project Completion Certificate for each bond issue, except for certain refunding and other bond issues described in this section. The Bond

Indenture for each issue of new money bonds generally provides procedures for disbursements of amounts from the project fund and completion of a project completion certificate. This Policy supplements those procedures and coordinates them with ongoing compliance procedures.

B. *Expenditure Review.* The Bond Indenture for each issue of new money bonds generally requires the Borrower to submit written requisitions containing specific representations to the Bond Trustee for disbursements of amounts in the project fund. The Authority intends that the Borrower Designated Official will review such disbursements with the best practice objective of not needing to correct any disbursements in a project completion review, but with the understanding that corrections and reallocations may be necessary or appropriate.

C. *Commencement of Project Completion Review.* The Authority intends that the Borrower Designated Official will commence the Project Completion Review not later than the actual completion of the project financed by a bond issue. In the case of a bond issue that finances more than one unrelated project, there may be different required Project Completion Review commencement dates for the different unrelated projects.

D. *Scope of Project Completion Review.* The Authority intends that the Borrower Designated Official will determine whether proceeds of the bond issue were in fact spent in the manner detailed in the date of issuance tax agreement. If proceeds were spent in a manner different than as set forth on the date of issuance (for example, because of substitution of projects or change in scope of expected projects), the Authority intends that the Borrower Designated Official will review the new expenditures to verify the following:

i. The bond financed property consists only of property described in the public approval for the bond issue, if applicable, and is otherwise permitted to be financed under bond document requirements;

ii. Requirements relating to qualified use of the financed property for the bond issue are met;

iii. The weighted average reasonably expected economic life of the financed property meets the requirement stated in the date of issuance tax agreement;

iv. To the extent that “equity” allocations are necessary for tax compliance, whether any “equity” of the Borrower (that is, amounts that are not proceeds of tax-exempt bonds) has been contributed to the same project and, if so, how that equity should be appropriately applied to finance costs of the same project;

v. The bond issue meets a spending exception from the rebate requirement, or a different allocation of bond proceeds to expenditures can result in meeting a rebate exception or otherwise have more favorable rebate results. The Borrower Designated Official will consult with the rebate service provider in consideration of rebate questions as appropriate.

E. *Bond Proceeds Allocation Certificate.* The general policy of the Authority is that the Borrower Designated Official will complete and execute a Bond Proceeds Allocation Certificate for each bond issue not later than the date specified for delivery of a Bond Proceeds Allocation Certificate under the Bond Indenture for the bond issue, which is generally six months after the completion of the entire financed project. In all events, the Borrower Designated Official will make such a final determination of how the proceeds of the bond issue are treated as spent a substantial period before the last date permitted by federal tax law, which is 18 months after the placed-in-service date of the project financed by the bond

issue. In the case of a bond issue that finances more than one unrelated project, there may be different Project Completion Certificate dates for the different unrelated projects. The Borrower Designated Official may amend and revise the Project Completion Certificate provided under the terms of the Bond Indenture for the entire longer period permitted by federal tax law.

The general policy of the Authority is that the Project Completion Certificate should be included as a part of the Bond Indenture (or other date of issuance bond document), which will generally follow the form attached as Appendix C. The Project Completion Certificate will also meet any other requirements set forth in the bond documents (for example, project fund requirements set forth in a bond indenture to comply with a state law requirement).

F. *Revised Bond Proceeds Allocation Certificate.* Although this Policy provides that the Borrower Designated Official will execute a Project Completion Certificate which attaches a final Bond Proceeds Allocation Certificate within six months of the completion of the entire project financed with a bond issue, as generally required by each Bond Indenture, it is the intent of the Authority that no Bond Proceeds Allocation Certificate necessarily will be deemed to be a “final allocation” of bond proceeds for federal income tax purposes until the expiration of the permitted period to determine how bond proceeds are spent. Accordingly, the Borrower Designated Official may revise a Bond Proceeds Allocation Certificate at any time during such permitted period, which generally is 18 months after the placed in service date of a financed project, but is required to provide any such revised certificate to the Authority.

G. *Uses of Bond Proceeds Allocation Certificate.* Once completed, the Bond Proceeds Allocation Certificate for a bond issue will be retained by the Borrower in the appropriate file under the books and records for the bond issue and provided to the Authority. The Authority intends that the Bond Proceeds Allocation Certificate will be the basis for the Borrower’s ongoing monitoring and measurement of qualifying use. In addition, in the event that a future bond issue refunds all or a portion of the bond issue, a Bond Proceeds Allocation Certificate for the bond issue (and not the date of issuance tax agreement) will be used as the basis for determining what assets are financed by the refunding bond issue.

H. *When Project Completion Review not required.* The Borrower Designated Official is not required to complete a Project Completion Review and Bond Proceeds Allocation Certificate for a bond issue if the date of issuance tax agreement indicates that a Project Completion Review is not required or if, the Compliance Officer determines that a Project Completion Review is not required.

In general, a Project Completion Review and Bond Proceeds Allocation Certificate is required for all bond issues except the following:

- i. A refunding bond issue that does not finance any new money costs, provided that the project funds for the prior bonds have been spent before the date of issuance of the refunding bond issue;
- ii. A new money bond issue if all of the project funds are used to reimburse expenditures paid before the date of issuance of the bond issue;

7. ***Rebate and Yield Restriction***

A. *Responsibility for rebate and yield restriction compliance for most bond issues.* In the case of all bond issues other than those designated as “Authority Pooled Financing Bonds”, the Authority will assume no responsibility for rebate or yield restriction compliance, other than to the extent required by federal tax law. Accordingly, for such bond issues, the Borrower is responsible for all rebate and yield restriction monitoring, payments, determinations, filings and other matters.

The Authority's responsibility for such bond issues is solely the execution of Form 8038-T or Form 8038-R in reliance on representations made by the Borrower, without any undertaking to review the accuracy, timeliness, or other substantive compliance of the determinations provided by, or actions taken by, the Borrower.

B. *Responsibility for rebate and yield restriction compliance for Authority Pooled Financing Bond Issues.* For each Authority Pooled Bond Issue the Chief Financial Officer will be responsible for obtaining computations and making any payments required to comply on a timely basis with rebate and yield restriction requirements relating to investment of the bond proceeds, as further detailed in the date of issuance tax agreement and tax agreement for the bond issue.

C. *Retention of a rebate service provider for Authority Pooled Financing Bond Issues.* As a best practice, the Chief Financial Officer will retain a rebate service provider for each Authority Pooled Financing Bond Issue not later than the date of issuance of the bond issue. The best practice is that the rebate service provider will review the tax agreement and tax elections for a bond issue before the tax agreement is executed.

As a part of the retention of the rebate service provider, the Chief Financial Officer will put in place the procedures to provide the rebate service provider with the required information for rebate computations (for example, provide the bond trustee with specific directions to forward statements relating to the funds and accounts for the bond issue to the rebate service provider).

D. *Rebate computations and payment for Authority for Authority Pooled Financing Bond Issues.* The best practice of the Authority is that the Chief Financial Officer will determine, in connection with the issuance of each Authority Pooled Financing Bond Issue, whether there is a realistic possibility that a rebate payment may be required; in such cases the best practice is that a rebate computation for each bond issue be completed annually, even though rebate payments in general are required to be made only every 5 years. In other cases, the general policy of the Authority is that a rebate computation for each bond issue will be completed only once every 5 years, and upon retirement of the bonds of the issue.

As a best practice, on or before the date of issuance of each Authority Pooled Financing Bond Issue, the Chief Financial Officer, in consultation with compliance counsel or bond counsel will complete the Deadline Reminder Schedule for required rebate computations and rebate payments. The Chief Financial Officer will cause rebate computations, and payments, if required, to be made in accordance with the Deadline Reminder Schedule.

In all events the general policy of the Authority is that the Chief Financial Officer will cause to be provided for each Authority Pooled Financing Bond Issue a rebate computation not later than 30 days before a rebate payment for that bond issue would be due. The general policy of the Authority is that the Chief Financial Officer will make any required rebate payment for each Authority Pooled Financing Bond Issue not later than 3 days before the applicable due date of the rebate payment or sooner if required by the applicable bond documents.

The Chief Financial Officer will not be required to cause to be provided rebate computations for a bond issue if bond documents for the bond issue do not require rebate computations or if the Chief Financial Officer instead obtains an opinion of nationally recognized counsel, which may be bond counsel, compliance counsel, or the rebate service provider that a rebate computation is not required.

E. *Yield restriction compliance for Authority Pooled Financing Bond Issues.* For each Authority Pooled Financing Bond Issue the Chief Financial Officer will be responsible for obtaining

computations, making any payments, or taking other actions required to comply on a timely basis with yield restriction requirements other than rebate, as further detailed in the date of issuance tax agreement and tax agreement for the bond issue. For example, if proceeds in the project fund of a bond issue are not spent within the 3-year “temporary period” for a bond issue, the Chief Financial Officer will cause to be provided yield restriction computations for the project fund and make yield reduction payments to the United States Treasury, if necessary, on a timely basis.

8. *Investment of Bond Proceeds*

A. *Fair market value requirement.* The Borrower Designated Official, in the case of Authority Pooled Financing Bonds, or the Chief Financial Officer, will be required to invest all bond proceeds in arm’s-length, fair market value transactions. This fair market value requirement applies to disposition as well as acquisition of investments. The general policy of the Authority is that a best practice is to avoid purchase of investments from, or sale of investments to, a person that provides other services to the Borrower or the Authority, such as an investment bank serving as underwriter, unless a safe harbor bidding procedure is used.

B. *Use of safe harbors.* The general policy of the Authority is that each investment of bond proceeds will meet all of the requirements of the safe harbor provided under federal tax law, if applicable. Federal tax safe harbors apply to the following types of investments:

- i.** Guaranteed investment contracts;
- ii.** Investments for yield restricted defeasance escrows;
- iii.** Certificates of deposit.

For each acquisition of a guaranteed investment contract or a yield-restricted defeasance escrow investment, the Borrower Designated Official will retain a bidding agent to conduct a bona fide competitive bidding process and require the bidding agent and provider to provide certifications substantially in the form approved by the General Counsel, bond counsel or compliance counsel.

C. *Policy regarding use of United States Treasury Securities – State and Local Government Series (SLGS).* In the case of Authority Pooled Financing Bonds, the general policy of the Authority is that the amounts in defeasance escrows and refunding escrows will be invested in United States Treasury Securities – State and Local Government Series (“SLGS”) unless, after consultation with an independent financial advisor, the Borrower Designated Official or, if applicable, the Chief Financial Officer determines that there are bona fide financial reasons for purchase of other types of investments. In the case of conduit bond issues, the general policy of the Authority is to, upon receipt of a request from the Borrower, provide written instruction to the Trustee to, on the Borrower’s behalf, use the amounts in defeasance escrows and refunding escrows to invest in SLGS.

9. *Procedures for Bond Examinations*

The General Counsel is primarily responsible for taking actions required of the Authority in connection with responding to governmental examinations of an issue of bonds. At the direction of the General Counsel, the examination may be handled principally by counsel to the Borrower or by counsel to the Authority.

The General Counsel may permit counsel that provided the date of issuance bond counsel opinion to represent the Authority or the Borrower in connection with an examination, provided that such counsel obtains conflict waivers reasonably acceptable to the General Counsel.

10. ***Procedures for Voluntary Closing Agreements and Private Letter Ruling Requests***

The General Counsel is primarily responsible for taking actions required of the Authority in connection with a voluntary closing agreement request or a private letter ruling request to the IRS.

The General Counsel may permit counsel that provided the date of issuance bond counsel opinion to represent the Authority or the Borrower in connection with a voluntary closing agreement request or private letter ruling request without the need for a formal waiver of conflicts, if determined to be reasonable by the General Counsel.

Notwithstanding Section II.B of the Bond Program Handbook, the General Counsel may permit a single law firm to represent both the Authority and the Borrower in connection with a voluntary closing agreement request or private letter ruling request.

11. ***Changes of Use of Bond Financed Property and Remedial Actions***

A. *Change of use transactions.* If the Borrower Designated Official determines any transaction has or might cause a bond issue not to meet the requirements relating to qualified use, the bond documents will require that the Borrower take a required remedial action. The general policy of the Authority is that the best practice of a Borrower is to advise the Authority of a proposed change of use transaction before it is entered into.

B. *Legal opinion generally required for remedial actions.* Because the requirements for a remedial action are complex and often require legal interpretation, it is the policy of the Authority that each remedial action must be approved by an opinion of bond counsel acceptable to the Authority and addressed to the Authority.

C. *Documentation generally required for remedial action.* In general, the Authority intends that the Borrower Designated Official will prepare or obtain documentation for each remedial action, which will include the following items.

Redemption or defeasance of nonqualified bonds:

- (i) Supplemental tax certificate;
- (ii) Notice to IRS (in the case of defeasance);
- (iii) Escrow agreement and verification or other confirmation of yield restriction

Alternative qualifying use of disposition proceeds:

- (i) Supplemental tax certificate;
- (ii) Supplemental Form 8038;
- (iii) Opinion of counsel

Alternative qualifying use of financed facility:

- (i) Supplemental tax certificate;
- (ii) Tax use agreement;
- (iii) Opinion of counsel relating to status of purchaser or user of the facility;
- (iv) Opinion of counsel relating to the remedial action.

D. General policy relating to tax use agreements and alternative qualifying use of facility remedial actions. If a remedial action involves an “alternative qualifying use” of bond-financing property and a tax use agreement, the Borrower will be required to provide the Authority with an executed tax use agreement.

12. *Procedures Relating to Modifications of Bond Documents*

The Authority acknowledges that a direct or indirect modification of bond documents may cause bonds to be treated as a newly issued for federal tax or other purposes. In general, in the case of any modification of bonds or bond documents, the General Counsel will consult with bond counsel or compliance counsel to determine whether the modification will have compliance consequences.

The Authority also acknowledges that a transaction entered into between a Borrower and a holder of bonds benefiting the Borrower may be treated as an indirect modification of those bonds that may cause the bonds to be newly issued for federal tax or other purposes. Accordingly, it is the policy of the Authority that a Borrower will not enter any transaction with a holder of bonds that could be treated as an indirect modification of those bonds, without first notifying the Authority, and providing an opinion of bond counsel to the Authority to the effect that the transaction will not adversely affect the tax-exempt status of the bonds.

13. *Procedures Relating to Composite Bond Issues*

The Authority may issue bonds that are treated, for federal income tax purposes, as part of the same “issue” as bonds issued by other governmental issuers, including governmental issuers in other States (a “Composite Bond Issue”).

In the case of a Composite Bond Issue, the general policy of the Authority is not to require the other governmental issuers to have adopted particular bond compliance procedures.

In the case of a Composite Bond Issue, the general policy of the Authority is to require the Borrower to promptly notify the Authority of any of the following with respect to any bonds of the Composite Bond Issue: any correspondence or contacts with the IRS or SEC and any remedial actions.

14. *Financial Contracts Entered into In Connection with Bond Issues*

A. Fair market value requirement. It is the general policy of the Authority that any financial contracts entered into in connection with a bond issue will be transacted in an arm’s-length manner intended to assure that the amount paid is fair market value. For this purpose, financial contracts include bond insurance, letters of credit, other guarantees, interest rate swaps and other derivative contracts. Consistent with that policy, the Authority intends that the Borrower Designated Official or the Chief Financial Officer will use special care to review the separate pricing of any financial contract entered into with a provider that otherwise provides services to the Borrower or the Authority, such as an investment bank serving as bond underwriter.

B. *Review of need for opinion for financial contracts entered into after the date of issuance.* It is the general policy of the Authority that, in connection with any financial contract for a bond issue entered into after the date of issuance by the Authority, the General Counsel will review whether it is required or advisable to obtain an opinion of nationally recognized bond counsel to the effect that such contract does not adversely affect the tax-exempt status of the bond issue.

15. *Securities Law Requirements*

A. *Scope of Securities Law Compliance.* The securities law compliance procedures of the Authority as set forth in this Section 15 will apply to (i) all bonds of the Authority issued on or after July 1, 2013 in connection with which the Authority is required to execute a Rule 15c2-12 continuing disclosure agreement and (ii) in certain circumstances, conduit bond issues.

B. *Responsible Officers and Employees.* The Compliance Officer, or his or her designee, has general oversight responsibility for securities law compliance. Other officers and employees have specific responsibilities as set forth below.

i. *Compliance Officer*

- Work with Chief Financial Officer to ensure compliance with Authority's disclosure obligations
- Coordinate with Authority employees who are responsible for monitoring disclosure requirements relating to identifying obligated persons for pooled financings that require special disclosure, to ensure that the required disclosures are timely made

ii. *General Counsel*

- Review the 15c2-12 continuing disclosure agreements the Authority is required to enter into
- Review the Authority's required and voluntary disclosures for compliance with applicable securities laws

iii. *Chief Financial Officer*

- Coordinate the preparation of financial statements, reports and audits required to be disclosed under 15c2-12 continuing disclosure agreements the Authority is required to enter into

iv. *Executive Director*

- Execution of 15c2-12 continuing disclosure agreements the Authority is required to enter into

C. *Voluntary Disclosure.* When circumstances warrant (as determined solely by the Authority), the Authority may disclose to the public certain events, such as IRS examinations, even if such events are not technical "material events" requiring disclosure.

D. Conduit Bond Issues. On or prior to the date of issuance, the Authority will require the Borrower to identify a particular official or officials responsible for securities law compliance (which may be the same as or different than the Borrower Responsible Officer identified in the Borrower's post-issuance compliance policy for tax compliance purposes). The annual compliance certificate required by Borrower pursuant to the Loan Agreement as specified in Section III.B.12 of the Bond Program Handbook, includes a representation that the Borrower is in compliance with all federal securities law requirements relating to the bond issue, and it is the understanding of the Authority that the annual compliance certificate will be prepared in connection with annual monitoring of securities law compliance.

If, as solely determined by the Authority, the Borrower has demonstrated a material pattern of failure to comply with continuing disclosure requirements; the Authority will require the Borrower to adopt written post-issuance securities law compliance procedures prior to the approval of the bond issue.

16. ***Training***

The Compliance Officer will be responsible for conducting periodic training sessions for personnel responsible for implementing this Policy. The Compliance Officer will conduct a training session no later than six months after adoption of this Policy and thereafter no less frequently than once every two years.

The personnel generally required to participate in training will include the following: the Chief Financial Officer, all direct reports to the Chief Financial Officer, the General Counsel, and any other personnel the personnel identified by the Executive Director, the Chief Financial Officer, the General Counsel or the Compliance Officer.

17. ***Implementation Plan***

It is the policy of the Authority that the Authority will comply with all aspects of this Policy with respect to each bond issue that is issued after the date of adoption of this Policy.

With respect to each outstanding bond issue that was issued before the adoption date, the Authority will implement this Policy to the greatest extent, and during the shortest time frame, that is reasonably practicable, for bonds issued on and after July 1, 2013. This Policy does not apply to bonds issued before that date other than Section 9 (relating to Examinations) and section 10 (relating to Voluntary Closing Agreements and Private Letter Ruling Requests).

A. Step One: Establish formal books and records files for each outstanding bond issue. Within 180 days after the adoption date, the Compliance Officer will establish appropriate books and records files for bonds issued on and after July 1, 2013. To the extent possible, the outstanding bond issues of the Authority will be maintained in the new records management system being implemented by the Authority.

B. Step Two: Training. Within six months of the adoption date, the Compliance Officer will conduct a training program. (See Section 16).

18. ***Procedure for Revisions of this Policy***

The Compliance Officer will periodically confer with the General Counsel, bond counsel and compliance counsel on the need or advisability to revise this Policy, taking into account experience in

implementing this Policy, changes in the law, and the requirements of new financings. In general, the Chief Financial Officer will so confer regarding the need or advisability to revise this Policy on an annual basis.

Revisions to this Policy may be implemented by the Executive Director after consultation with the General Counsel and the Compliance Officer.

It is contemplated that future revisions of this Policy could address the following additional matters as the need arises:

- i.** Suggested post-issuance compliance templates for different types of Borrowers.
- ii.** Procedures for amendments and other changes to bond documents.

APPENDIX A

DEADLINE REMINDER SCHEDULE TEMPLATE

| | | |
|-----------------------------------|--|--|
| Bond Issue Information | Name of Bond Issue | |
| | Closing Date | |
| | Principal Amount | |
| | Final Maturity | |
| Bond Expenditure Dates | Reasonably Expected Project Completion Date | |
| | Commencement Date of Project Completion Review | |
| | Completion Date of Project Completion Review | |
| Rebate and Arbitrage Dates | Commencement Dates of Rebate Installment Computations | |
| | Commencement Date of Final Rebate Computation | |
| | Completion Dates of Rebate Installment Computations | |
| | Due Dates for Rebate Installment Payments | |
| | Due Date for Rebate Final Payment | |
| | Commencement Date for Project Fund Yield Restriction | |
| Other Dates | Other Actions | |

APPENDIX B

**BOOKS AND RECORDS TEMPLATE FOR THE AUTHORITY
(Appendix to Section 4 of Tax-Exempt Bond Compliance Policy)**

(BOND ISSUE FILING SYSTEM)

| Name of Bond Issue | |
|--|----------------------|
| Date of Issuance | |
| <i>File</i> | <i>File Location</i> |
| 1. Borrower Assurance/Engagement Agreement | |
| 2. Bond Transcript | |
| 3. Cost of Issuance Report | |
| 4. Executed Forms 8038-T and 8038-R; Rebate Reports; Copies of Rebate Checks Provided to the Authority | |
| 5. Completion Certificate/Bond Proceeds Allocation Certificate Provided by Borrower | |
| 6. Identification of Interest Rate Swaps and Other Qualified Hedges | |
| 7. Correspondence Relating to Bond Examinations | |
| 8. Correspondence Relating to Voluntary Closing Agreement and Private Letter Ruling Requests | |
| 9. Opinions Relating to Remedial Action and Other Change of Use | |
| 10. Identification of Interest Rate Swaps and Other Derivative Contracts that are Qualified Hedges | |
| 11. Amendments and Other Changes (including Interest Rate Conversions and Defeasance) | |
| 12. Form C-05 | |
| 13. Form C-08 | |

BOOKS AND RECORDS TEMPLATE FOR THE BORROWER
(Appendix to Section 4 of Tax-Exempt Bond Compliance Policy)

(BOND ISSUE FILING SYSTEM)

| Name of Bond Issue | |
|---|----------------------|
| Date of Issuance | |
| <i>File</i> | <i>File Location</i> |
| 1. Bond Transcript | |
| 2. Bond Trustee Requisitions | |
| 3. Detailed Information Showing How Bond Proceeds Are Spent | |
| 4. Project Completion Certificate and Other Post-Issuance Allocations and Elections | |
| 5. Records of Investments (including Bond Trustee Statements) | |
| 6. Records Relating to Financed Property Qualified Use (Contracts) | |
| 7. Remedial Action and Other Change of Use Records | |
| 8. Letters of Credit and Other Guarantees (including Extensions and Replacements) | |
| 9. Interest Rate Swaps and Other Derivative Contracts | |
| 10. Amendments and Other Changes (including Interest Rate Conversions and Defeasance) | |
| 11. Records Relating to Examinations | |
| 12. Records Relating to Voluntary Closing Agreements and Private Letter Ruling Requests | |
| 13. Records of Debt Service Payments | |

APPENDIX C

PROJECT COMPLETION CERTIFICATE FORM (Appendix to Section 5 of Tax-Exempt Bond Compliance Policy)

Bond Issue: [Formal Name of Bond Issue] (the “Bonds”)

This Project Completion Certificate sets forth the allocation of proceeds of the Bonds to expenditures and projects and is delivered pursuant to the section of the Bond Trust Indenture for the Bonds relating to the Project Fund. The Borrower will maintain this Project Completion Certificate in its books and records for the Bonds to establish compliance with federal tax requirements applicable to the Bonds.

This Project Completion Certificate makes allocations of only “new money” proceeds of the Bonds and any unspent net proceeds of any bonds that were refunded by the Bonds. The allocation of proceeds of refunded bonds is otherwise set forth in the certificates for the respective refunded bond issue. This Project Completion Certificate does, however, set forth certain summary information for the entire issue of the Bonds.

I. Summary Information Relating to the Bonds

Issue Date: [Date of Issuance]

New Money Sale Proceeds: \$[New Money Sale Proceeds]

New Money Investment Earnings \$[Actual New Money Investment Earnings]

New Money Proceeds \$[New Money Sale Proceeds plus Actual New Money
Investment Earnings]

Total Bond Issue Sale Proceeds \$[Total Bond Issue Sale Proceeds]

Total Bond Issue Proceeds \$[Total Bond Issue Proceeds]

Weighted Average Bond Maturity [Weighted Average Maturity] years

Applicable Nonqualified Use Limit: [Percentage Limit]%

II. *Bond Trust Indenture Completion Representations*

1. [The Project has been fully completed on [date of completion].
2. All permits necessary as of the date of this Certificate for the occupancy and use of the Project have been obtained and are in full force and effect.
3. All fixtures required as of the date of this Certificate for the operation of the Project have been obtained and are free and clear of all liens and security interest other than Permitted Encumbrances.
4. As of the date of this Certificate the Project (to the extent of the Schedule in the Loan Agreement) has been fully paid for and no claims exist against the Borrower or against the Project out of which a lien based on furnishing labor or material exists or might, with the passage of time or the giving of notice, ripen.
5. As of the date of this Certificate no event of default has occurred and is continuing under the Bond Indenture or under the Loan Agreement.]

III. *Allocation of Bond Proceeds to Expenditures (See Schedule 1)*

The Borrower hereby allocates the proceeds of the Bonds to the expenditures set forth in Schedule 1 to this Certificate. In connection with this allocation, the Borrower represents as follows:

1. Each expenditure is included within the scope of the projects described in the notice of public hearing (“TEFRA hearing”) for the public approval of the Bonds.
2. The Borrower will consistently treat these expenditures as the expenditures financed with the Bonds for qualifying use, arbitrage and rebate and economic life purposes.
3. The weighted average reasonably expected economic life of the property financed with these expenditures is [Final Reasonably Expected Weighted Economic Life] years. 120% of the actual reasonably expected economic life of all of the property financed with the Bonds ([120% of Final Weighted Reasonably Expected Economic Life] years) is greater than the weighted average maturity of the Bonds, as shown above.
4. Each asset of the financed property is owned, and is reasonably expected to be owned for the lesser of the remaining term of the Bonds or the remaining economic life of the asset by The Borrower.
5. The noncomplaint use of the financed property is reasonably expected to be not more than [5 or other Reasonably Expected Nonqualified Use Percentage]%, determined on an annual basis.
6. In each case, the allocation of Bond Proceeds to an expenditure has been made, or is now being made in this Certificate, within 18 months of the placed in service date of the project of which it is a part.

IV. *Allocation of Bond Proceeds to Projects (See Schedule 2)*

The Borrower hereby allocates the proceeds of the Bonds to the projects set forth in Schedule 2 to this Certificate (the “Financed Projects”), which Financed Projects have also been, or are reasonably expected to be, financed in part with other sources of funding, which may include proceeds of other tax-

exempt bonds and equity of the Borrower. In connection with this allocation, the Borrower represents and elects as follows:

1. Each Financed Project consists only of one or more identified facilities or capital projects that are functionally related or integrated and are located on the same site or on reasonably proximate adjacent sites and that have been or are reasonably expected to be placed in service within the same 12-month period.

2. The Bond Proceeds and other sources of funding set forth on Schedule 2 have been, or are reasonably expected to be, expended pursuant to the same plan of financing.

3. Amounts set forth as “equity” consist only of proceeds of taxable obligations and cash spent on the Financed Project, and does not include equity interests in real property or tangible personal property. In addition, “equity” does not include amounts spent on subsequent improvements or replacements.

SCHEDULE 1 TO PROJECT COMPLETION CERTIFICATE

ALLOCATION TO EXPENDITURES

[Attach spreadsheet schedule showing, amount, date, location, and related purpose of expenditures]

SCHEDULE 2 TO PROJECT COMPLETION CERTIFICATE

ALLOCATION TO FINANCED PROJECTS

This Schedule 2 provides information regarding projects financed in part with Bond Proceeds and in part with equity of the Borrower, and does not necessarily list all expenditures made with Bond Proceeds.

[INSERT A SEPARATE TABLE FOR EACH FINANCED PROJECT]

| | |
|--|--|
| Description of Project | |
| Commencement Date | |
| [Reasonably Expected] [Final] Placed in Service Date | |
| [Reasonably Expected] [Final] Total Project Costs | |
| Bond Proceeds Expenditures | |
| [Reasonably Expected] [Final] Equity Contribution | |
| [Reasonably Expected] [Final] Expenditures Financed with Other Tax-Exempt Bonds | |

APPENDIX D
FORM OF ANNUAL COMPLIANCE CERTIFICATE OF THE BORROWER

[NAME OF BOND ISSUE] (the “Bonds”),
issued on [ISSUE DATE]

The undersigned, a duly authorized representative of _____ (the “Borrower”), hereby certifies on behalf of the Borrower that:

1. The Borrower is a party to the Loan Agreement dated as of _____, 20__, and the Tax Agreement dated _____, 20__, relating to the Bonds.
2. The Borrower has made a review of its activities during the preceding calendar year for purposes of determining whether it has complied with all terms, provisions and conditions of the Loan Agreement and the Tax Agreement. Such review has been made in a manner consistent with the post-issuance compliance policies and procedures of the Borrower (the “Borrower Policies and Procedures”).
3. The Borrower Policies and Procedures are current, complete and sufficient for the Borrower’s purposes, and the individual identified on Schedule I attached hereto is the current officer responsible for the Borrower’s implementation of and adherence to the Borrower Policies and Procedures (the “Borrower Responsible Officer”).
4. The Borrower has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Loan Agreement and the Tax Agreement. Such covenants, provisions and conditions expressly include compliance with all federal securities law and tax law requirements relating to the Bonds.

[Remainder of page intentionally left blank]