Debt Issuance and Debt Management Policy

Scope: This Policy covers the issuance and management of the Vermont Municipal Bond Bank's long-term debt.

1. Purpose of the Policy

The purpose of the Vermont Municipal Bond Bank ("VMBB" or the "Bond Bank") Debt Issuance and Debt Management Policy is to provide the Bond Bank's Board of Directors (the "Board") and administration guidance and direction for the issuance and management of the VMBB's long-term debt in conformance with the VMBB's Enabling Act (24 V.S.A. 119), the Internal Revenue Code of 1986, as amended (the "Code"), as applicable, other applicable laws, and the terms of the Bond Bank's General Bond Resolution of 1988 (the "General Resolution").

The use of a codified Debt Policy will allow financial management to maintain and to enhance VMBB's ability to access cost effective capital for the benefit of borrowers over the long run.

2. Description of Bond Bank Debt

VMBB's debt does not constitute a general obligation, a debt or a pledge of the faith and credit of the State of Vermont (the "State") or any political subdivision thereof.

VMBB may issue debt as a general obligation of the Bond Bank, secured by a pledge of all loans and Governmental Unit bonds ("Municipal Bonds") purchased by VMBB and the amounts required to be paid to the Bond Bank in connection with such loans and Governmental Unit bonds. VMBB debt may also benefit from the State Intercept Memorandum of Agreement and any related agreements supporting the programmatic rating of the intercept program.

VMBB may also issue revenue bonds in the capacity of conduit or "pass-through" issuer for qualified borrowers that meet criteria established by the Board. This structure allows borrowers to access the VMBB's issuing powers (including the State Intercept Memorandum of Agreement) and to assume all repayment obligations. At a minimum, conduit borrowers must maintain an underlying rating with a major rating agency prior to and following issuance of debt through the VMBB. In all cases, the proposed structure must be approved by the Board prior to formal action.

VMBB typically issues bonds to make loans to one or more borrowers. The repayment obligations of the borrowers are evidenced by a Municipal Bond purchased by the Bond Bank. The Municipal Bonds are typically general obligations of the Governmental Unit, secured by all revenues of the Governmental Unit (including its taxing power). Municipal Bonds may be revenue bonds that are secured by a particular payment stream.

VMBB most commonly issues tax-exempt bonds, but it may issue debt in other forms, including taxable bonds, tax-credit (including direct-pay subsidy) bonds and such other forms of state and federal interest rate subsidy debt that may be available from time to time.

3. VMBB Debt Issued for the Direct Purchase of Municipal Bonds

a) Governmental Units seeking financial assistance may submit a preliminary loan application to request a determination of eligibility and an indication of future financing. Preliminary loan applications should include complete financial information for three years and must include at least a financial audit of the most recently completed fiscal year that is prepared by a Certified Public Accountant and such other information as the Executive Director shall request. Upon request, the VMBB Board may allow an accountant's "Compilation, Without Disclosures" or a "Review" to substitute for a financial audit report.

b) Governmental Units seeking financing in a particular VMBB debt issuance must file a complete application, including any such information as the Executive Director shall request, accompanied by a preliminary opinion of counsel to the Governmental Unit in the form and substance satisfactory to the Directors and bond counsel to VMBB ("Bond Counsel").

c) The Executive Director and staff will perform an internal credit review prior to submitting loans for approval by the Board. The Bond Bank may develop and adopt loan policies guiding the terms and conditions for approval.

d) The VMBB may recover from the participating Governmental Units costs associated with issuing the debt.

e) In the case of tax-exempt or other tax-advantaged bonds, VMBB, with the advice of Bond Counsel, will require Governmental Units to maintain written procedures to monitor the requirements of Sections 103 and 141-150 of the Code and to ensure that any nonqualified bonds are remediated according to the requirements of the Code and the treasury regulations under the Code (the "Regulations"). Such procedures shall be substantially in the form attached as Exhibit A (the "Municipal Bond Post-

Issuance Compliance Procedures") with such changes or revisions as deemed necessary or appropriate by the Executive Director with the advice of Bond Counsel.

f) For so long as a particular tax-advantaged VMBB debt issue is outstanding, the VMBB will require and obtain an annual certification from each Governmental Unit financed by such debt as to its continuing post-issuance compliance.

4. <u>Refinancing</u>:

a) Refundings will be considered when they will result in aggregate present value savings of at least three percent. However, there may be circumstances when the Directors may pursue refundings that do not meet this target in consideration of legal, administrative, or other facts and circumstances at the time.

b) Pursuant to the General Bond Resolution, the VMBB shall have the authority to retain or to allocate savings to the applicable Governmental Units.

5. <u>Debt Structuring Practices</u>

a) The maximum amortization of VMBB's debt may not exceed the useful life of the assets financed, generally 20 to 30 years.

b) The aggregate debt amortization schedule should provide for level or declining debt service payments.

c) Debt that is non-callable beyond customary periods will generally be avoided to ensure future flexibility.

d) Debt will be issued as fixed rate.

e) The VMBB will not use derivatives when issuing debt.

6. <u>Debt Limits</u>

VMBB's debt is issued only in compliance with its Enabling Act, the applicable General Bond Resolution and, as applicable, the Code and Regulations. The Bond Bank's Enabling Act does not restrict the amount of debt that can be issued.

Under the concurrent VMBB General Operating Reserve Fund policy, the Bond Bank will manage the General Operating Reserve Fund and the loan portfolio to a balance of between three percent and seven percent of the loans outstanding.

7. Method of Sale

Debt issued by VMBB can be sold in negotiated, competitive, direct purchase, and private placement executions.

Methods of sale will be evaluated by the Executive Director and the Bond Bank's Financial Advisor(s) prior to each debt issuance to ensure cost effective capitalization of VMBB activities.

The method of sale will be presented to the Board for approval and summarized in the Pre-Sale Memorandum described below under "Debt Issuance Policies".

8. Debt Issuance Practices

a) The VMBB will engage Bond Counsel to advise it on its debt issuances and related matters.

b) The VMBB will engage a financial advisor or advisors, to advise on (among other matters) the advantages, disadvantages and risks associated with the financial structure of any proposed debt issuances as well as fairness of the purchase price and/or yields offered by the purchaser of the bonds.

c) The VMBB will engage a Trustee to manage its loan portfolio, reporting requirements, and the payment of debt service.

d) The VMBB will engage a Rebate Consultant, who may be a Financial Advisor to the Bond Bank, to assist in compliance with arbitrage and rebate requirements applicable to tax-exempt and other tax advantaged bonds.

e) Prior to the final approval of any resolution to issue debt or the sale of bonds, the Executive Director will present a Pre-Sale Memorandum to the VMBB Board. The Pre-Sale Memorandum, prepared in consultation with Bond Counsel and Financial Advisor, will summarize major components of the proposed transaction and include notice of actions requiring Board approval.

f) Potential underwriters for negotiated debt sales will be pre-qualified in a competitive process to form a qualified "underwriting pool" that will be reviewed and voted upon by the Board. The Executive Director, in consultation with the Financial Advisor, will make a recommendation to the Board as to the book running underwriter, other members of the syndicate, and selling group members based on the requirements and circumstances of individual financings. The Pre-Sale Memorandum for a negotiated transaction will include Underwriter recommendations for approval by the Board.

g) Alternative methods of sale of the Bond Bank's bonds such as a "competitive sale" or direct purchase bonds will involve a competitive process for each individual debt issuance. Authorization to pursue alternative methods of sale will be preapproved by the Board prior to sale and/or solicitations.

h) One or more public credit ratings, including at least one from the "big three" (Moody's, S&P and Fitch), should be maintained to ensure access to cost-effective capital for VMBB's activities. The number of ratings and choice of rating agencies will be made in consultation with the Financial Advisor and, in negotiated sales, Underwriters.

i) Prior to the distribution of a Preliminary Official Statement, the Board will adopt a resolution authorizing the issuance of the proposed debt and delegating to the Executive Director the ability to approve the final pricing terms and to execute related agreements on behalf of the Board.

j) Prior to the pricing of the proposed debt, a copy of the Board's authorizing resolution and a summary of the transaction will be provided to the Governor and Treasurer of the State of Vermont for review and approval.

k) Form 8038-G (or such other form required by the IRS under Section 149(e) of the Code shall be filed as soon as practicable after closing a tax-exempt issue, and proof of filing of the form with the IRS will be included in the official bond transcript.

l) The Executive Director shall consult with Bond Counsel and other legal counsel and advisors, as needed, throughout the bond issuance process to identify requirements and to establish procedures in accordance with Section 12 hereof as are necessary or appropriate so that the bonds will continue to qualify for the appropriate tax status after their initial issuance.

m) The VMBB, with the advice of Bond Counsel, will maintain supplemental written procedures regarding compliance with provisions of the Code with respect to existing Recovery Zone Economic Development Bonds and Qualified School Construction Bonds. Such supplemental written procedures are substantially in the form attached hereto as Exhibit B.

9. Tax Compliance

VMBB primarily issues debt in the form of tax-exempt bonds. As part of each tax-exempt financing, VMBB covenants to maintain the tax-exempt status of outstanding bonds. To qualify for and maintain tax-exempt or other tax advantaged status, debt obligations must meet certain requirements of the Code. Compliance with the Code requires due diligence prior to issuance and after issuance.

At issuance, Bond Counsel will draft a tax certificate executed by the Bond Bank that documents the facts, conditions and present expectations relevant to the particular requirements of the Code applicable to the debt issue (which tax certificate will refer to, and rely in part upon, tax certificates executed by the Governmental Units which are users of the tax-exempt bond proceeds). After issuance, on-going monitoring for compliance is the responsibility of VMBB. The post- issuance compliance procedures outlined in Section 12 are intended to ensure compliance with the Code.

Each project or activity to be financed by the VMBB is evaluated by Bond Counsel prior to debt issuance. VMBB will consider issuing taxable debt otherwise consistent with the Bond Bank's Debt Policy when the project or activity cannot comply with the Code.

10. Investment of Bond Proceeds

a) All investment decisions and practices should comply with the VMBB's Investment Policy adopted on June 10, 2010, as amended.

b) All investments of bond proceeds should be reviewed by Bond Counsel and acquired in compliance with the Code and any other related regulations.

c) The VMBB will fund debt service reserve funds with cash and permitted investments from bond proceeds or internal funds.

d) The Bond Bank may acquire open market securities or enter into a guaranteed investment contract ("GIC") in the course of debt issuance. Bond Counsel will confirm that such securities or GICs are properly bid in compliance with the Code and meet the requirements of the General Resolution.

11. Disclosure Practices

a) The VMBB will comply with the requirements of all of its continuing disclosure agreements ("Disclosure Agreements" or "CDA") with dissemination of related information to the MSRB's EMMA website provided by the Dissemination Agent. Such compliance will include:

    a. VMBB sending its annual financial information to the Dissemination Agent by each August 15 for subsequent filing on EMMA no later than September 1. Annual financial information will also be provided with respect to any borrower accounting for more than 15 percent of the Municipal Bonds purchased by the VMBB under the General Resolution. (Borrowers covenant in their loan agreements with the Bond Bank to provide such information when needed.)

b. Prompt notice (generally within 10 business days) on EMMA of any listed significant event outlined in the Disclosure Agreements.

b) The VMBB will also comply with reporting requirements outlined in the General Resolution by filing annually its disclosure statement, annual budget, and audited financials with its Trustee.

c) The VMBB will also comply with the terms of the Enabling Act and other appropriate state legislation regarding the delivery of the audited financial statements and the annual report to the Governor and the Legislature.

d) The VMBB shall provide access to its Official Statements via its website.

12. Post-Issuance Compliance

The procedures outlined in this section are established to ensure that the VMBB complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or other tax advantaged status of its bonds.

a) *Responsibility*. Ultimate responsibility for all matters relating to VMBB financings and refinancings rests with the Executive Director and designated staff.

b) In accordance with the written procedures set forth in herein, the VMBB, with the advice of Bond Counsel, will monitor the requirements of Sections 103 and 141-150 of the Code to the extent applicable and to ensure that any nonqualified bonds are remediated according to the requirements under the Code and the Regulations.

b) Other Documents.

(i) The requirements and procedures necessary to establish and maintain the appropriate tax-exempt status shall be documented in VMBB resolutions, Tax Certificates, loan documents and other documents finalized at or before issuance of the Bonds and funding of loans to Governmental Units. Those requirements and procedures shall include covenants as to future compliance with applicable arbitrage, rebate and other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the bonds.

(ii) The form checklist, identifying key documents and compliance items, attached hereto as Exhibit C shall be reviewed and updated, if necessary, in connection with each Bond issuance and a separate checklist, prepared in consultation with Bond Counsel, with supporting documentation shall be maintained for each debt issuance.

c) *External Advisors*. The Executive Director shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are understood and met.

d) *Bond Proceeds*. Unless otherwise provided by VMBB resolutions, unexpended Bond proceeds shall be held by the Bond Trustee on behalf of the Bond Bank, and the investment of Bond proceeds shall be managed in accordance with the Bond Bank's Investment Policy, the General Bond Resolution and, as applicable, the Code and Regulations. The Bond Trustee and the Executive Director shall maintain records and shall prepare regular, periodic statements to the VMBB regarding the investments and transactions involving Bond proceeds.

(i) Arbitrage Rebate and Yield. Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to any portion of the proceeds of an issue of Bonds:

1. The VMBB shall engage the services of a Rebate Consultant, and the VMBB or the Bond Trustee shall deliver periodic statements concerning the investment of Bond proceeds, including proceeds held by Government Units not satisfying an exception to rebate, to the Rebate Consultant at least annually during the period when there are unexpended proceeds;

2. Upon request, the Executive Director shall provide to the Rebate Consultant additional documents and information reasonably requested by the Rebate Consultant;

3. The Executive Director shall monitor efforts of the Rebate Consultant and assure payment of required rebate amounts, if any, by the applicable deadline (generally, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed or paid); and

4. The Executive Director shall monitor the investment of bond proceeds and shall consult with the Rebate Consultant at least annually during the period when there are unexpended proceeds to determine compliance with any applicable yield limitations, following the issue date of the Bonds. To the extent action is required to achieve compliance with yield limitations; the VMBB will consult with the Rebate Consultant and bond counsel as needed.

ii) *Use of Bond Proceeds.* The Executive Director shall:

1. Review, on or before October 31st of each bond-year, reports and notices required to be prepared pursuant to the Municipal Post-Issuance Compliance Procedures of the Government Units,

including the final expenditure report when available, to ensure that uses, investments and expenditures are consistent with all covenants and restrictions set forth in applicable VMBB resolutions, VMBB tax certificates, loan agreements and borrower tax certificates;

2. Engage a disbursing agent to hold, on behalf of the applicable Governmental Units, the bond proceeds loaned to such Governmental Units subject to disbursement pursuant requisitions the form of which is acceptable to the VMBB. The duties and responsibilities of the disbursing agent shall be set forth in disbursing agent agreement to be executed upon the issuance of any bonds;

3. Maintain records identifying the loans that are financed or refinanced with proceeds of each issue of bonds;

4. Consult with Bond Counsel and other professional expert advisers in the review of any reports or notices, to the extent deemed necessary, to ensure compliance with all covenants and restrictions set forth in applicable VMBB resolutions and Tax Certificates; and

5. Maintain records of reports and notices and any follow-up action taken as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable VMBB resolutions and tax certificates.

e) *Remedial Action.* If the Executive Director discovers a potential tax violation, the Executive Director shall immediately notify the Board and consult with Bond Counsel and determine appropriate corrective measures within 60 days of discovery. Ultimately, such measures may include participation in the IRS's Voluntary Closing Agreement Program (VCAP), if necessary.

f) *Training.* In connection with the implementation of these procedures, the Executive Director and other appropriate staff shall participate in training to become informed of requirements of the relevant tax law. Such training shall include grounding through attendance at educational conferences, as well as regular consultation with the attorneys who served as bond counsel for the issuance of the Bonds and with the Rebate Consultant. As personnel changes, the VMBB shall arrange training for their successors.

g) *Annual Review.* To further ensure compliance, the Executive Director and other appropriate staff shall meet at least annually to review and discuss (i) the status of any outstanding issues brought to the attention of the VMBB through reports and notices submitted by the Government Units, and (ii) any tax developments or changes in tax law brought to the Bond Bank's attention by Bond counsel to ensure compliance with all covenants and restrictions set forth in applicable VMBB documents and Tax Certificates. Findings of such reviews will be shared with the Board promptly.

13. Record Retention

a) The formal transcript of the bond issue containing copies of all contracts and legal opinions will be kept by the VMBB.

b) The checklist prepared pursuant to Section 12(b)(ii), along with all supporting documentation, shall be maintained in the records of the VMBB.

c) The VMBB will cause the Governmental Units to maintain documents and records as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in the applicable borrower tax certificates.

d) The investment records of debt service funds, debt service reserve funds, project funds, and any other funds containing bond proceeds (including bidding records), and the records relating to the calculation and payment of rebate (e.g. rebate consultant’s reports and IRS form 8038-T), will be kept by the VMBB and the Trustee for the period required by the Code.

14. Review and Revision of the Policy

This policy will be reviewed by VMBB staff and reauthorized (as amended) by the Directors every two years.

Adopted: April 27, 2012
Amended: February 4, 2013
Amended: June 19, 2013
Amended: June 22, 2015
Amended: September 18, 2018

Exhibit A

FORM OF

MUNICIPAL BOND POST-ISSUANCE COMPLIANCE PROCEDURES

The following procedures have been adopted by the Municipality, effective as of the date of issue of the Municipal Bond. These procedures shall be implemented immediately and shall relate to the Municipal Bond and all currently outstanding and future debt obligations that have been purchased by the Vermont Municipal Bond Bank (the “Bond Bank”) with the proceeds of the Bond Bank’s tax-exempt or other tax advantaged bonds (“VMBB Bonds”). These procedures are intended to assist the Municipality in complying with the covenants it made to the Bond Bank in connection with such purchase to assist the Bond Bank in complying with those provisions of the Internal Revenue Code of 1986, as amended (the “Code”) relating to (a) the qualified use of proceeds derived from the tax-exempt or other tax advantaged bonds issued by the Vermont Municipal Bond Bank and assets financed and refinanced by such proceeds; (b) arbitrage yield restrictions and rebate; (c) remediation of the effects of “deliberate action” on the part of the Municipality which results in the disposition, abandonment or other change in use of assets financed or refinanced by the Municipal Bonds and VMBB Bonds; and (d) the resolution of matters raised in connection with an audit or examination of the Municipal Bond and/or VMBB Bonds. These procedures are intended to furnish guidance in matters of Code compliance, and are subject to revision, modifications and enlargement from time to time.

(1) The municipal official or employee possessing the statutory or contractual powers, functions and responsibilities of a Chief Financial Officer (to the extent the same are not exercised by the Municipal Treasurer) shall be responsible for monitoring Municipal Bond post-issuance compliance (the “Compliance Official”).

(2) The Compliance Official shall review and implement these procedures in the manner necessary to ensure ongoing compliance with the provisions of the covenants made in the Municipality’s tax certificate and loan agreement. In connection therewith such official will become knowledgeable or consult an advisor experienced in post issuance compliance and will review and monitor notices, advice and directives as may be received by the Municipality from its bond counsel, accountants, financial advisors, and governmental sources. At least once annually the Compliance Official will certify to the Bond Bank as to its compliance with the terms of the Municipality’s tax certificate, including these procedures.

(3) On or before the first day of October in each year, the Compliance Official shall confirm that all property financed or refinanced with the proceeds of the VMBB Bonds (by purchasing the Municipality’s obligations) continues to be used in the same manner as existed when project(s) financed by the Municipal Bond were placed in service. Such confirmation shall be based upon a visual inspection and representations of the public officials under whose care, custody and control the property is placed. A report of

such confirmation shall be delivered to the Bond Bank on or before the last day of October of each year on forms or in such manner as provided by or at the direction of the Bond Bank.

(4) For so long as the proceeds of any debt obligation of the Municipality remains unexpended, the Compliance Official shall confirm on the first day of June and the first day of December in each year that such proceeds are deposited or invested for a “temporary period” as established under Section 148 of the Code, and the Regulations thereunder. Such confirmation shall be deemed to have occurred for so long as any Municipal Bond proceeds are in the custody of a trustee, paying agent, or disbursing agent pending expenditures upon requisition thereof under procedures prescribed by the Bond Bank. Following the third anniversary of the issuance of a Municipal obligation, all unexpended proceeds shall be invested so as to generate a yield no greater than the yield on the corresponding VMBB Bonds.

(5) The Compliance Officer shall confirm, at least annually while there are unexpended proceeds, that the proceeds of each Municipal obligation shall be expended in such amounts, at such frequency, and in such intervals to ensure that the Municipality avails itself of one or more arbitrage rebate exception allowed under Section 148 of the Code, and the Regulations promulgated thereunder. Alternatively, if rebate is or may be due, the Compliance Officer will engage a consultant to prepare a report to determine the amount of any rebate due. Reports of such confirmation or rebate shall be forwarded to the Bond Bank no less frequently than annually until proceeds are fully expended or thereafter if requested by the Bank.

(6) With respect to the acquisition and construction of capital improvements financed with the proceeds of the Municipality’s debt obligations, the Municipality hereby declares that such proceeds shall be allocated to acquisition and construction expenditures prior to the expenditure and application of funds from any other public or private source. On forms or in such manner as provided by or at the direction of the Bond Bank, a final expenditure report accounting for the use of all Municipal Bond proceeds and earnings shall be completed no later than 18 months after the Project(s) financed by the Municipal Bond is(are) placed in service.

(7) In the event there is a change of use, abandonment or disposition of property financed or refinanced with the proceeds of a VMBB Bond (through the purchase of the Municipal Bond), the Compliance Official shall immediately: consult with the Municipality’s bond counsel and accountants regarding remedial action and give written notice to the Bond Bank. The Municipality thereafter shall, if required by the Bond Bank,

endeavor to call and redeem all or a portion of outstanding debt obligations, the proceeds of which were expended to finance such property. The proceeds derived from the sale or other disposition of the financed property shall not be commingled with other funds of the Municipality, but shall be used to effect the redemption of obligations, if necessary, the proceeds of which financed such property. Pending redemption as called for in this section, such proceeds shall be invested at a yield no greater than the yield on the obligations to be redeemed.

(8) The Compliance Official shall create and preserve records for the term of the Municipal Bond and any refunding thereof plus three years documenting the procedures incident to the authorization and issuance and identifying the proceeds of each issue of the Municipality's obligations, the deposit and investment thereof, the income derived from such deposit and investment, the expenditure of such proceeds and investment income (containing at a minimum the date, amount and recipient of each expenditure) and all rate, fee, charge and assessment schedules relating to property financed by the Municipality's obligations. Such records shall include, but not be limited to, copies of loan agreements, escrow agreements, tax certificates, project bid documents, construction and acquisition contracts, project invoices, project-related bank statements, and documents related to anticipatory bond financings.

(9) The Compliance Official shall retain all contracts or arrangements with non-governmental users relating to use, control and management of the Project(s) financed and refinanced by the Municipal Bond (and by its purchase by the Bond Bank with the proceeds thereof, financed or refinanced with a VMBB Bond).

(10) In the event there remain on hand any excess proceeds from a Municipal obligation, following acquisition or completion of the improvements for which such obligation was issued, the Compliance Official shall consult with the Municipality's bond counsel regarding the use of such proceeds, and shall give written notice to the Bond Bank as to the disposition thereof.

Exhibit B

[As of September 18, 2018, RZEDBs and QSCBs may no longer be issued.]

The procedures below are applicable to currently outstanding RZEDBs and QSCBs)]

Supplemental Written Procedures for Arbitrage and Rebate Compliance for Recovery Zone Economic Development Bonds and Qualified School Construction Bonds

The following supplemental procedures apply to issues of Recovery Zone Economic Development Bonds (RZEDBs) and Qualified School Construction Bonds (QSCBs) unless the Issuer otherwise directs for a particular issue of RZEDBs or QSCBs, based on particular circumstances that relate to that issuance, changes in guidance promulgated by the IRS, changes in law, the advice of bond counsel, or other factors the Issuer deems relevant.

These procedures are intended to supplement and explain the procedures already followed by the Issuer and evidenced in writing by the certificate of the Underwriter described in A.2 below, the Certificate as to Tax Matters, the 8038-B or 8038-TC, as applicable, the 8038-CP and the instructions thereto, and to provide a more formal record of the procedures followed and to be followed by the Issuer when it issues RZEDBs or QSCBs. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Issuer's applicable Certificate as to Tax Matters or, if such term is not in such Certificate, in the General Bond Resolution adopted May 3, 1988 (the "General Resolution"), as amended.

A. Procedures to ensure RZEDBs are issued with no more than a de minimis premium.

1. In a negotiated sale: (i) the lead underwriter will be notified in writing (by being given a copy of these supplemental procedures and the Certificate described in A.2 below) prior to the bond sale that either (1) none of the maturities of the RZEDBs may be issued at a premium or none may be issued with more than a "de minimis amount" of premium. The lead underwriter is responsible for discussing with bond counsel the computation of the "de minimis" amount of premium under Section A.3 hereof.

In a competitive sale, either premiums will be prohibited, or a maximum premium (or premiums) which bond counsel has determined is not in excess of the "de minimis" premium under Section A.3 hereof will be specifically listed in the official notice of bond sale.

2. The lead underwriter in a negotiated sale or successful bidder in a competitive sale will be required to certify that none of the RZEDBs were issued at a price in excess of par (if premiums are prohibited) or in excess of par plus a de minimis amount of premium as calculated under Section A.3 hereof (herein the "Maximum Price"). This certificate may take the form of a certificate to the effect that none of the RZEDBs had an issue price in excess of the Maximum Price, that none of the RZEDBs were or will be sold to the public (excluding bond

houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at a price in excess of the Maximum Price, or other form acceptable to bond counsel.

3. For purposes of this policy, "de minimis" amount of premium will be calculated to be one-quarter of one percent less than the maximum de minimis amount of premium as calculated under the Internal Revenue Code and regulations promulgated thereunder applicable to RZEDBs.

B. Procedures designed to comply with other RZEDB and QSCB requirements or provisions in the Certificate as to Tax Matters. The provisions of the Certificate as to Tax Matters executed by the Issuer at the time of closing of RZEDBs or QSCBs (the "Tax Certificate") constitutes the Issuer's written procedures designed to ensure that RZEDBs and QSCBs remain in compliance with the following federal tax requirements after the bonds are issued:

1. Timely expenditure of bond proceeds.
2. Correct calculation of available project proceeds.
3. Arbitrage yield restriction and rebate.
4. Costs of issuance financed by the RZEDBs or QSCBs do not exceed 2% of proceeds of sale.
5. Redemption of excess proceeds at the end of the expenditure period, in the case of QSCBs.

With respect to all Loans to Governmental Units, the Issuer requires and relies upon the Loan Agreements, Tax Certificates of the Governmental Units, and opinions of counsel to the Governmental Unit. Such documents contain procedures and requirements to be followed by the Governmental Units to assure compliance at the local level with the requirements set forth above.

C. Procedures designed to comply with requirements contained in 8038-B or 8038-TC.

The exhibit to the 8038-B or 8038-TC filed in connection with the RZEDBs or QSCBs, respectively, which shows the amount of interest payable on each payment date, will be prepared by the financial advisor or lead underwriter on the issue, and will be examined by the Issuer. The preparation and examination of this exhibit will constitute the Issuer's written procedure to ensure the proper determination of the amount of interest payable on each interest payment date and, accordingly, the proper amount of the refundable credit reportable on form 8038-CP.

D. Procedures designed to comply with Qualified Purposes Requirement. The provisions of the Tax Certificates of the Governmental Units and an examination and approval of proposed expenditures of QSCB and RZEDB proceeds by a person at the Governmental Unit with knowledge of the federal tax rules as to what expenditures constitute Qualified Purposes for federal tax purposes constitute the Issuer's written procedures that such QSCBs and RZEDBs remain in compliance with the rule that 100% of available project proceeds, less any amount of reasonably required reserve in the case of RZEDBs, be used only for Qualified Purposes.

E. Procedure designed to comply with requirements in 8038-CP and instructions thereto.

The instructions for filing an 8038-CP, which describe how and when to file the 8038-CP will constitute the Issuer's written procedures for timely filing of the 8038-CP. The Trustee shall be responsible for making such filing or causing it to be made. Payment of the refundable credit will be made to the Issuer or the Trustee for the Issuer, as determined by the Executive Director, unless otherwise provided by the Executive Director. The Issuer's completion and examination of the form 8038-CP constitute its procedure for ensuring that the refundable credit is made to the proper person.

F. Ongoing Procedures.

These procedures and to the extent incorporated herein the Tax Certificate for the issue, the applicable 8038-B or 8038-TC for the issue, the 8038-CPs and Instructions therefor for the issue, will be reviewed by the Executive Director or his designee (i) on or prior to each five-year anniversary date of the issue date of the bonds; (ii) on or within 30 days of the date the bonds are retired, defeased or refunded; (iii) on or prior to the date of any rebate payment made if that date is not within 60 days of one of the date mentioned in (i) or the date the bonds are retired, defeased or refunded; (iv) at the time of notification by a Governmental Unit that any change in use of any asset that was funded with a material amount of bond proceeds; and (v) at the time of notification by a Governmental Unit that the occurrence or non-occurrence any other event that could affect the tax status of the Bonds as indicated in the Tax Certificate (e.g., the occurrence of an event which the Tax Certificate represents will not occur or is not expected to occur, or the non-occurrence of an event the Tax Certificate represents will or is expected to occur). This review will be made for the purposes of identifying any possible violation of federal tax requirements related to RZEDBs or QSCBs and to ensure the timely correction of those violations for remedial action described in Treasury Regulations or through the Tax-Exempt Bonds Voluntary Closing Agreement Program. If a possible violation is identified, the Executive Director will consult with the Issuer's bond counsel.

G. Recordkeeping.

Records necessary to support the status of bonds as qualified to receive a RZEDB or QSCB credit will be maintained for the life of such bonds, and any bonds that refund the RZEDBs or QSCBs, plus three years. These records may be maintained on paper, or by electronic media, or by any combination thereof.

Exhibit C

POST-ISSUANCE COMPLIANCE CHECKLIST

(to be maintained on a series by series basis and reviewed at least once annually by Executive Director)

Bond Documents:

1. Series Resolution
2. Official Statement
3. Tax Certificate and all Exhibits
4. Cash Flows and Numerical Analyses
5. Form 8038-G
6. Volume Cap allocations, where applicable, with respect to RZEDB/QSCB

Loan Documents:

7. Application
8. Initial Local Counsel Opinion
9. Resolutions and local approvals
10. Municipal Tax Certificate
11. Municipal Bond
12. Form 8038-G for Municipal Bond (as applicable)

Closing and Origination Period Monitoring:

13. Bond Yield.
14. Government Unit reports of compliance with expenditure targets in Tax Certificate or rebate
15. Final expenditure report of Government Unit
16. Government Unit reports of any change in use
17. Evidence of reimbursement allocation, if applicable

Post Issuance Monitoring:

18. Copies of any modifications to the Bond and Loan Documents listed above
19. Copies of 8038-CPs filed for federal subsidies in connection with RZEDBs and QSCBs

Yield and Arbitrage Calculations:

20. First rebate installment due on fifth anniversary of bond issuance plus 60 days
21. Succeeding installments every five years plus 60 days
22. Final installment 60 days after retirement of last bonds of the issue
23. Report of Rebate Consultant
24. Forms 8038T, if applicable

Ongoing Disclosure:

25. Continuing Disclosure Agreement
26. Annual Financial Information
27. Any Material Event Notice
28. Any other notices