

RESOLUTION ADOPTING  
POST-ISSUANCE COMPLIANCE PROCEDURES

WHEREAS, the Town of Hardwick (the "Municipality") intends to finance the construction of water system improvements authorized at the Municipality's March 5, 2013 special meeting through the proceeds of tax-exempt obligations; and

WHEREAS, in order to ensure that such obligations continue to be tax-exempt, certain monitoring, compliance and verification activities must be undertaken following the issuance of such obligations; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the "Code") and the Regulations promulgated thereunder, impose certain record-retention requirements with respect to the Municipality's tax-exempt obligations; and

WHEREAS, the Selectboard desires to establish procedures with respect to the post-issuance administration, monitoring and verification of the Municipality's tax-exempt obligations.

NOW THEREFORE, BE IT RESOLVED THAT, in addition to the record-retention requirements of Section 6001 of the Code, and the Regulations now or hereafter promulgated thereunder, the Municipality hereby adopts and commits to implement the procedures set forth in Schedule A which are intended to provide the following;

(1) Assignment of tax-exempt and tax credit bond, if applicable, compliance responsibilities to appropriate departments, officers, or employees.

(2) Establishment and maintenance of books and records for each issue of obligations of the Municipality.

(3) Establishment of Code Section 148 compliant procedures for the investment of gross proceeds for each issue of the Municipality's obligations.

(4) Maintenance of records relating to all allocations of expenditures of proceeds of each issue of the Municipality's obligations.

(5) Periodic monitoring of use of proceeds of each issue of the Municipality's obligations, the investment and reinvestment of proceeds from the temporary investments thereof and the use of property acquired or financed by the proceeds of such obligations.

(6) Verification of the foregoing.

Adopted at a duly convened meeting of the Selectboard of the Town of Hardwick held on June 5, 2014.

ATTEST: Alberta A. Miller  
Town Clerk

## SCHEDULE A

### MUNICIPAL BOND POST-ISSUANCE COMPLIANCE PROCEDURES

The following procedures have been adopted by the Municipality, effective as of the date of legislative body Resolution to which this Schedule A is attached. These procedures shall be implemented immediately and shall relate to all currently outstanding and future debt obligations and financing leases. These procedures are intended to assist the Municipality in complying with those provisions of the Internal Revenue Code of 1986, as amended (the "Code") relating to (a) the qualified use of proceeds of the Municipality's tax-exempt and other tax advantaged bonds and notes and improvements financed by such proceeds; (b) arbitrage yield restrictions and rebate; (c) remediation of the effects of "deliberate action" of the Municipality which results in the disposition, abandonment or other change in use of property financed by the Municipality's debt obligation; and (d) the resolution of matters raised in connection with an audit or examination of the Municipality's tax-exempt or tax-advantaged obligations. 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 Treasurer) shall be responsible for monitoring 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 Tax Certificate delivered in connection with the issuance and sale of Municipal obligations. The Compliance 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.
- (3) On or before the first day of June in each year, the Compliance Official shall confirm that all Municipal property financed by the proceeds of the Municipality's obligations continues to be used in the same manner as existed when such property was first placed into 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.

- (4) For so long as the proceeds of any debt obligation of the Municipality remain 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. 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 obligation.
- (5) The Compliance Official 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 due, the Compliance Official will engage a consultant to prepare a report to determine any rebate due.
- (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. A final expenditure report accounting for the use of all Municipal obligation proceeds and earnings shall be completed no later than 18 months after the Project(s) financed by the Municipal obligation is placed in service.
- (7) In the event there is a change of use, abandonment or disposition of property financed by the proceeds of a Municipal obligation, the Compliance Official shall immediately consult with the Municipality’s bond counsel and accountants regarding remedial action. The Municipality

thereafter shall 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 obligation 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), payment requisitions, and all rate, fee, charge and assessment schedules relating to property financed by the Municipality's obligations. Such records shall include 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 financing.
- (9) The Compliance Official shall retain all contracts or arrangements with non-governmental persons relating to the use, control and management of the Project(s) financed by a Municipal obligation.
- (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.