

**Subject:** Post-Issuance Tax Compliance Policy and Procedures  
**Policy No.:** 200-0001  
**Effective Date:** 05/12/2014

**Background:**

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This policy was drafted by Doug Selby, our Bond Counsel. The IRS has stepped-up their audits of tax exempt bond issuances in recent years. Hunton and Williams are advising all of their bond clients to have post-issuance procedures in place.

Appendix A lists the only bond issue that hasn't been closed out yet.

**Policy:**

**Policy, Procedures, and Purposes.** This tax compliance policy and related procedures are for the City of Woodstock, Georgia (the "City") and all City departments on behalf of bond issuers and instrumentalities or other entities related to and controlled, in whole or part, by the City, that own, use, or control the use of any City facilities financed with the proceeds of tax-exempt and/or tax-advantaged bonds or that otherwise are considered users of such facilities under the federal tax laws and regulations (collectively, the "Tax Regulations"). All such entities are collectively referred to herein as "City Bond Entities."

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*It is the policy of the City Bond Entities (a) to comply with all Tax Regulations affecting the tax-exempt or other tax-advantaged bonds, notes, commercial paper programs, or other obligations (collectively, "Bonds") issued for the benefit for any City Bond Entity, and (b) to implement and carry out the policies and procedures set forth herein (the "Procedures") to ensure compliance with all such Tax Regulations and to preserve appropriate records to evidence such compliance.*

*Responsible Officers. The individual acting as Chief Financial Officer of the City of Woodstock, Georgia Department of Finance, or their designee, is the initial designated City Compliance Officer for implementing and monitoring compliance with the Procedures (the "City Compliance Officer") with the responsibility of gathering, reporting and monitoring data necessary to carry out the purposes of these Policies and Procedures. The City Compliance Officer and others designated to assist him/her shall consult with qualified attorneys as necessary and appropriate to perform their respective roles as described herein and to otherwise comply with the requirements of Tax Regulations and the Internal Revenue Service (the "IRS"). Reference herein to "Bond Counsel" shall denote any firm serving as bond counsel to the City in connection with the issuance of any Bonds to finance or refinance City facilities, and to any nationally recognized bond counsel firm providing advice to a City Bond Entity on matters related to the federal tax status of any Bonds or the interest thereon. The City Compliance Officer may act through other officers or employees of the City.*

*Responsibilities in Bond Issuance. Whenever the City undertakes to issue Bonds in connection with the financing or refinancing of any City facilities, the City Compliance Officer shall work with Bond Counsel for such issuance to identify (a) the use of the proceeds of the Bonds, (b) the expected schedule for the expenditure of such proceeds, (c) the expected compliance with exemptions (if any) from arbitrage rebate requirements, and (d) all other matters, inclusive of identifying the applicable bond year, related to the information to be represented or certified to by the City in all tax certificates, questionnaires, or other documents executed in connection with the issuance of the Bonds, and in IRS Form 8038 and/or Form 8038-G, as the case may be.*

*The City Compliance Officer shall maintain copies of all documentation executed in connection with the issuance of Bonds and shall review and retain all covenants, undertakings, and other requirements contained or incorporated into such documentation; and all such covenants, undertakings, and other requirements are hereby incorporated into these Procedures. The City Compliance Officer shall note and maintain a copy of any elections under the Tax Regulations made by the City with respect to any Bonds and/or City facilities.*

*The City Compliance Officer shall, with the assistance of Bond Counsel, determine the nature of the qualification of the Bonds (e.g., as governmental bonds or as qualified private activity bonds or otherwise) under applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and shall utilize the assistance of Bond Counsel in determining the expected compliance with all requirements under the Tax Regulations, including without limitation, and as may be applicable to any particular series of Bonds, compliance with:*

- any applicable percentage limitations on the use of bond proceeds for issuance costs;*
- limitations relating to the useful life of facilities financed or refinanced with the use of bond proceeds;*
- limitations on use for working capital and capitalized interest, as applicable;*
- the 95% requirement for ownership by governmental or tax-exempt organizations;*
- the 95% test for "good use";*
- any allocation of the use of proceeds between governmental and qualified private activity projects;*
- compliance with tests, if any, related to any special mandatory redemptions of Bonds; and*

- *any other limitations or covenants set forth in the tax and non-arbitrage certificates to be executed by the City in connection with any issuance of Bonds (“Tax Certificates”).*

*The Chief Financial Officer of the City and the City Compliance Officer (or his/her designated representative), if different from the Chief Financial Officer, shall sign all such Tax Certificates and similar documents relating to the tax-exempt or tax-advantaged status of the Bonds after consulting with Bond Counsel to confirm the accuracy and reasonableness of all representations and warranties made by any City Bond Entity therein or relating thereto. If any other officer of the City or a City Bond Entity shall be required to sign any Tax Certificate, the City Compliance Officer shall take appropriate steps to ensure the accuracy and reasonableness of all representations and warranties prior to any such signing.*

*If at any time the City shall issue, for the benefit of any City Bond Entity, any Build America Bonds, tax credit bonds, or other tax-advantaged bonds subject to special requirements under the Tax Regulations (“tax advantaged bonds”), or if any such bonds are refinanced by a new issue of Bonds, the City Compliance Officer shall work with Bond Counsel to appropriately supplement these Procedures to comply with any additional or different requirements relating to such Bonds.*

*Expenditure of Bond Proceeds; Reporting. The City Compliance Officer shall monitor all expenditures of Bond proceeds (inclusive of investment earnings), including the requisition process by which such proceeds are paid to an City Bond Entity or its designee. Within 150 days of the issuance of any Bonds and at least once each six months thereafter until the delivery of the final report described in Section 6 hereof, the City Compliance Officer shall prepare a report on the expenditures to date of all proceeds of the Bonds. Such report shall include, without limitation, (a) notation of any and all material departures from the original expectations for the schedule and/or use of such expenditures, as shall have been set forth in an exhibit to the Tax Certificate delivered upon issuance of such Bonds, and (b) whether or not any applicable spending benchmarks for arbitrage rebate exceptions have been met. The City Compliance Officer shall supply a copy of each such report to the Chief Financial Officer of the City (the “City CFO”), the City Manager and the City Attorney, and shall consult with Bond Counsel as appropriate.*

*Investment of Bond Proceeds. The City Compliance Officer shall oversee, record, and/or document the investment of any proceeds of any Bonds in compliance with all covenants of the Bond Resolution and Tax Certificate, as applicable, and with consultation and direction from the City CFO and City Manager or such officer’s designated representatives.*

*Final Expenditure of Bond Proceeds. The City Compliance Officer shall be responsible for determining when the project is complete and/or when all proceeds of any issuance of Bonds have been spent (other than those held in qualifying reserves or debt service funds) and shall take steps to close out with reasonable promptness all construction/project funds and similar funds or accounts holding the proceeds of Bonds. If any proceeds, together with investment earnings thereon (collectively, “Remaining Proceeds”), remain after paying all expected costs of the projects financed, the City Compliance Officer shall consult with Bond Counsel as to permissible ways to expend such proceeds and the investment and use thereof, with the goal of spending all Remaining Proceeds as promptly as is required by law.*

*The City Compliance Officer also shall consult with Bond Counsel regarding any allocations or other elections that the City should make with respect to the use of the proceeds of the relevant Bonds. Within 60 days of the final expenditure or other disposition of all Remaining Proceeds, the City Compliance Officer shall prepare a written report on the expenditure of all proceeds of the Bonds (inclusive of investment earnings), including without limitation (a) the use of such proceeds, (b) the schedule of such expenditures, and (c) any allocations or elections made in connection with the foregoing. Such report also shall address whether rebate must be calculated and paid, and if so, on what schedule. Such report, if not previously sent to Bond Counsel, shall be sent to Bond Counsel no later than 10 days before the 60<sup>th</sup> day after final expenditure or other disposition of proceeds.*

*If a particular City facility is only partially financed with proceeds of Bonds, the City Compliance Officer shall indicate in the report the respective percentage of each such City facility attributable to equity, to the proceeds of Bonds, and/or to other sources, including any permitted allocations or reallocations.*

*Annual Examination and Report. In addition, the City Compliance Officer shall, not less frequently than annually, prepare a written report on matters occurring within such fiscal year relevant to these Procedures. This report shall set forth in reasonable detail any issues relevant to the Procedures that occurred in such fiscal year, including without limitation (a) calculation and payment of rebate, (b) any defeasance or other payment of Bonds other than in the ordinary course of business, (c) any change in use of any City facilities or projects financed with the use of bond proceeds, and (d) any review of contracts related to the sale, lease, or use of bond-financed property as provided in Section 12 hereof and Exhibit A hereto.*

*Monitoring of Reserve Funds. If at any time any custodian, depository, trustee, or other fiduciary holds a debt service reserve or similar fund in connection with any Bonds, the City Compliance Officer shall, no less frequently than annually, review the status of such fund, including the use of any investment earnings thereon.*

*Arbitrage Rebate and Compliance. The City Compliance Officer shall determine (or shall contract with a rebate analyst to determine), on at least an annual basis at the end of each Bond year, whether any arbitrage rebate calculation and/or payment is required with respect to the Bonds, shall consult with Bond Counsel as appropriate, and shall take any steps necessary to comply with all related requirements under the Tax Regulations.*

*Refunding and Defeasance. The City Compliance Officer shall, as and when needed, consult with Bond Counsel and, as appropriate, a financial advisor or underwriter, if at any time the City considers any refunding of Bonds or any defeasance or other payment of Bonds other than in the ordinary course of business. Such consultation shall include, without limitation, (a) an assessment as to whether there will be any transferred proceeds, and if so, the appropriate treatment thereof, (b) confirmation that, upon any such refinancing, the applicable series of Bonds or portion thereof will not have been refunded more times than is permissible under the Tax Regulations, and (c) yield calculations, investment requirements, and other concerns relating to any escrow fund for the refunded or defeased Bonds, if applicable.*

*Amendments and Supplements to the Procedures. These procedures may be amended or supplemented at any time, including without limitation by the promulgation of memoranda addressing specific issues, with the approval of both the City Compliance Officer and the City CFO. All such amendments or supplements shall be reviewed by Bond Counsel. All such amendments and supplements shall be circulated as reasonably appropriate to Designated Parties (as described in Section 16 hereof).*

*Use of Bond Financed Facilities; Ongoing Monitoring. An important purpose of the Procedures is to ensure that there is no threat to the tax status of any Bonds because of impermissible private business use or private payment or "security" under the Tax Regulations. Such threat may occur if more than 5% of the proceeds of Bonds are utilized for facilities that are owned by or otherwise impermissibly used by any entity that is not an entity that is either a state or local governmental entity\* or an entity described in Section 501(c)(3) of the Code (an "Exempt Entity"). Such private business use can be created by leases, operating agreements, management or service contracts, and other arrangements that convey special legal entitlements for beneficial use. Any such impermissible private business use is referred to herein as "Bad Use."*

*The City Compliance Officer (or his/her designee) shall prepare and regularly update a list of all City facilities that have been financed in whole or in part with the proceeds of Bonds ("Bond Financed Facilities"), indicating with particularity (a) those facilities or portions thereof that were financed with governmental bonds, for which the City intended that the private use tests and the private loan tests would not be met for the period beginning on the date of the issuance of the Bonds through the maturity of the*

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\* Use by the federal government generally is not qualified good use.

Bonds (“Governmental Purpose Facilities”), and (b) those facilities or portions thereof that were financed with qualified private activity bonds (e.g., exempt facility bonds) (the “Non-Governmental Purpose Facilities”).

The City Compliance Officer (or his/her designee) shall provide the initial list of Bond Financed Facilities and all amendments updating such list of Bond Financed Facilities to the City Manager. The City Compliance Officer shall request that all such persons promptly report to the City Compliance Officer and the City Manager:

- any proposed sale, lease, or other conveyance of rights to use or control any Bond Financed Facilities;
- any proposed management, service, or operating contract relating to any Bond Financed Facilities, unless the City has received advice from Bond Counsel that such contract will constitute a qualified management contract or will be excluded from private business use under one of the exceptions set forth in the Tax Regulations; and
- any other proposed use by any party other than a City Bond Entity (including any joint ventures between any City Bond Entity and any other party).

The City Compliance Officer shall review such report and shall consult with Bond Counsel as to whether such proposed arrangement will create any Bad Use. The City Compliance Officer shall further monitor such key contractual arrangements relating to the Bond Financed Facilities, including but not limited to those listed on Exhibit A hereto, for any amendments or supplements thereto, and for any material correspondence relating thereto, and shall consult with Bond Counsel as appropriate. If it is determined that any Bad Use may or will arise, the City Compliance Officer shall take such steps as he or she judges appropriate, in consultation with Bond Counsel, either (1) to alter the proposed contractual arrangement to eliminate any Bad Use, or (2) to monitor such Bad Use going forward.

The City Compliance Officer shall maintain a list of all Bond Financed Facilities determined to be subject to private business use and/or Bad Use, distinguishing between Governmental Purpose Facilities and Non-Governmental Purpose Facilities, and shall determine annually if such uses are within applicable permitted amounts. The City Compliance Officer shall consult with Bond Counsel if the City Compliance Officer believes that any such private business use and/or Bad Use has exceeded or may exceed permitted amounts and shall recommend to the General Manager such steps necessary to appropriately limit any Bad Use no later than 30 days after the use starts.

*Change in Use and Remedial Action.* In carrying out the responsibilities described under Section 12 hereof, the City Compliance Officer shall take steps, including conferring with Bond Counsel if appropriate, to determine if any City Bond Entity has taken any “deliberate action” with respect to the use or ownership of any Bond Financed Facilities that results in a use of such facilities in an unqualified manner. For purposes of this Section 13, such a “deliberate action” may include a change in costs and/or expenditures as between private use and governmental projects, from the respective amount of proceeds that were allocated for such purposes at the time of issuance of Bonds. In the event the City Compliance Officer determines that any such “deliberate action” has occurred, the City Compliance Officer, in consultation with Bond Counsel, shall determine and implement on a timely basis the appropriate remedial action under Treasury Regulations Section 1.141-12.

*Record-Keeping.* The City Compliance Officer shall be responsible for maintaining all records relating to the expenditures of bond proceeds and compliance with the Tax Regulations. Such records shall include, without limitation, the following:

All bond resolutions, validation orders, and related documents for the issuance of any Bonds, including complete closing transcripts, any IRS Forms 8038 and/or 8038-G filed in connection with the issuance of any Bonds, and all calculations and filings with respect to arbitrage rebate.

*All correspondence or other communication with Bond Counsel, other counsel, and any custodian, depository, trustee, escrow agent, or other fiduciary, with respect to the use and investment of bond proceeds and the defeasance or payment of any Bonds other than in the ordinary course of business. This requirement shall include any yield calculations or defeasance reports.*

*All reports required by these Procedures to be prepared by the City Compliance Officer.*

*All correspondence or other communication with the IRS relating to any Bonds, to the City facilities, or to the tax status of any City Bond Entity, including without limitation any private letter ruling requests or responses and any correspondence relating to any stage of an IRS examination or audit or settlement thereof.*

*Copies of all continuing disclosure agreements undertaken by the City or any other City Bond Entity in connection with Bonds, and all continuing disclosure filings by any such City Bond Entity related to matters affecting, or possibly affecting, the tax status of any Bonds.*

*Training. Each year, prior to the preparation of the annual report required by Section 7 hereof, the City Compliance Officer will provide for at least one meeting or conference call with Bond Counsel to (a) report on the issues that will be addressed in the annual report, and (b) receive from such Bond Counsel a report on developments affecting the Tax Regulations and their enforcement that may be relevant to the work of the City Compliance Officer. The City Manager shall participate in all such meetings or conference calls.*

*The initial City Compliance Officer and the City Manager, together with such other City personnel as may be designated by the City Compliance Officer and supporting officer to assist such parties with the execution and monitoring of these Procedures, shall attend an initial training session with Bond Counsel to review and discuss key elements of the Tax Regulations and other laws relating to the Bonds and post-issuance tax compliance. If a new City Compliance Officer is appointed, such replacement officer shall be required to attend a meeting with Bond Counsel (or review pre-recorded materials provided by Bond Counsel) and at least one other City officer who has previously received training in accordance herewith, to review these Procedures and their implementation.*

*The foregoing provisions of this Section 15 shall not be construed as limiting the training that the City Compliance Officer and shall be required to undertake. Upon the advice of Bond Counsel or the City Attorney, or at the request of the City Manager, the City Compliance Officer and/or the Supporting Officer shall undergo such additional training as deemed necessary to the proper fulfillment of their respective duties as described herein.*

*Designated Parties; Ensuring Cooperation and Compliance. The City Compliance Officer shall circulate a copy of these Procedures, including any amendments and supplements hereto, to all "Designated Parties." The Designated Parties shall consist of:*

- *The Mayor of the City.*
- *The City CFO.*
- *The City Manager.*
- *The City Attorney.*
- *The Internal Auditor.*
- *The External Auditor.*
- *The City's Bond Counsel.*

- *Any other persons determined by the City Compliance Officer to oversee matters relevant to these Procedures, including persons who oversee leases and management contracts relating to Bond Financed Facilities.*

*The City Compliance Officer shall report to the City Manager any concerns that officers or employees of any City Bond Entity are not cooperating with the City Compliance Officer in the implementation of these Procedures.*

*Continuing Disclosure Filings. The City Compliance Officer shall cooperate with City Manager and the City Attorney, or their respective designees, and shall consult with Bond Counsel as necessary, to carry out the annual and quarterly filings required by all continuing disclosure agreements undertaken by any City Bond Entity relating to Bonds issued to finance or refinance City facilities. The City Compliance Officer shall make recommendations to the City and officers referenced in this Section 17, who shall further consult with Bond Counsel, as necessary, whenever the City Compliance Officer believes that special continuing disclosure filings should be considered with respect to any Bonds.*

*Consultation with Auditors. The City Compliance Officer shall provide a copy of these Procedures, together with any amendments and supplements hereto, to the auditors of all City Bond Entities, and shall instruct such auditors to report to the City Compliance Officer any findings that the auditors believe to be relevant to the matters addressed by these Procedures.*

*IRS Communications; Response to Audits. The City Compliance Officer shall cooperate with the City Manager, the City Attorney and the Senior Audit Manager to take the steps necessary to ensure that each of them is notified of and reviews any communications from the IRS relating directly or indirectly to any Bonds or to the tax status of any City Bond Entity. The City Compliance Officer shall consult with the City Manager and with Bond Counsel, as to the appropriate response to any such communication, including any notification of an audit of any Bonds. The City Compliance Officer shall maintain records of any such communications with the IRS, as further described in Section 14 hereof.*

*Voluntary Closing Agreement Program. Whenever any issue arises in connection with possible noncompliance with any Tax Regulations, the City Compliance Officer shall make appropriate officials aware of the Voluntary Closing Agreement Program of the IRS, or any successor or additional such settlement or closing agreement programs (collectively, "VCAP"). In the annual training meeting or conference call provided for in Section 15 hereof, the City Compliance Officer will request that Bond Counsel provide any relevant information or updates relating to VCAP and its implementation.*

*No Authority. Nothing herein, taken by itself, shall authorize the City Compliance Officer or the Supporting Officer to bind any City Bond Entity in any way.*

*Privilege to be Preserved. Nothing herein shall require or authorize the City Compliance Officer, the Supporting Officer, or any other City official to consult with Bond Counsel or any other attorney unless such consultation is protected by the attorney-client privilege.*

*Dated: May 12, 2014*

Exhibit A

*Schedule of Key Contractual Arrangements*

*2009 Urban Redevelopment Authority Bonds Series "A" and "B"*