

Advance Refunding Bonds Compliance Check Questionnaire

We are asking for information regarding your current, post-issuance compliance and record retention procedures for Advance Refunding Bonds. The questions in Part VII of the questionnaire (*on awareness of voluntary compliance options*) apply to all kinds of tax-exempt bonds. Please complete the questionnaire and follow the instructions in the accompanying letter for returning it to us. For all accompanying documentation, please clearly label the question to which it relates.

Name of Entity: _____

Employer Identification Number: _____

PART I Current Debt Management Policies and Procedures

1a. How do you identify and select bonds to be advance refunded? (*check all that apply*)

- i. State laws that guide refunding process and require certain savings
- ii. Written internal policy that requires certain savings
If written internal policy, are savings parameters subject to change, review, etc? (*attach written internal policy or sheet with description*)
- iii. Advice of internal financial personnel
- iv. Advice of outside financial advisors
- v. Other (*attach sheet with description*)

1b. Once prior bond issues to be advance refunded are identified, does the advance refunding transaction require: (*check all that apply*)

- Approval by Attorney General, other State official, or State board (*other than your governing Board or Committee*)
- Internal approvals such as vote of your governing Board or Committee
- Financing at discretion of financial/executive personnel and no approval (*as referred to above*) is necessary

1c. Do you have procedures in place to use capital appreciation bonds or zero coupon bonds in structuring your advance refunding bond issues? Yes No

If **Yes**, do the procedures permit annual debt service on all your similarly secured bond issues to be materially less than available revenues or taxes to pay those bonds? (*attach sheet with description*)

If **Yes**, what do the procedures permit the freed-up taxes and revenues, if any, to be used for? (*attach sheet with description*)

If **No**, is your answer because:

- You have procedures in place but do not use capital appreciation bonds or zero coupon bonds in structuring your advance refunding bond issues?
- You do not have procedures in place and you do not use capital appreciation bonds or zero coupon bonds in structuring your advance refunding bond issues?

PART II Current Procedures to Assure Compliance with Federal Tax Requirements Related To Advance Refundings

2a. Do you have procedures in place to review your bond transactions to identify any possible federal tax compliance issues prior to structuring any advance refunding of those transactions? Yes No

2b. Do you have procedures in place to review the structure of your Advance Refunding Bonds prior to issuance to make sure that the proposed refunding:

i. Is permitted pursuant to applicable federal tax requirements, if there have been prior refundings of the original bond issue? Yes No

If **Yes**, the review is done by: *(check all that apply)*

- Employees
- Bond Counsel
- Financial Advisor
- Underwriter or Placement Agent
- Other *(attach sheet with description)*

ii. Complies with applicable federal tax requirements which might impose restrictions on the redemption date of the refunded bonds? Yes No

If **Yes**, the review is done by: *(check all that apply)*

- Employees
- Bond Counsel
- Financial Advisor
- Underwriter or Placement Agent
- Other *(attach sheet with description)*

iii. Complies with applicable federal tax requirements which allow for the proceeds and replacement proceeds of an issue to be invested temporarily in higher yielding investments without causing Advance Refunding Bonds to be arbitrage bonds? Yes No

If **Yes**, the review is done by: *(check all that apply)*

- Employees
- Bond Counsel
- Financial Advisor
- Underwriter or Placement Agent
- Other *(attach sheet with description)*

PART II Current Procedures to Assure Compliance with Federal Tax Requirements Related To Advance Refundings (Continued)

- iv. Will not enable the issuer to exploit the difference between tax-exempt and taxable interest rates to obtain a financial advantage nor will it overburden the tax-exempt bond market in a way that it might be considered an abusive transaction for federal tax purposes? Yes No

If **Yes**, the review is done by: *(check all that apply)*

- Employees
- Bond Counsel
- Financial Advisor
- Underwriter or Placement Agent
- Other *(attach sheet with description)*

PART III Current Arbitrage Yield Restriction and Rebate Procedures

- 3a. Do you have procedures in place to collect and review data related to arbitrage yield restriction and rebate requirements for your Advance Refunding Bonds? Yes No

If **Yes**, describe your procedures and how you implement them. In lieu of the description, you may attach a copy of your written procedures. If you have no written procedures, explain what guidelines you have in place that ensure bond financings are in compliance with federal tax requirements and the source of these guidelines. *(attach sheet with description)*

- 3b. Do you have procedures in place relating to the purchase of SLGS *(State and Local Government Series)* securities bearing zero interest to be acquired post-closing for the refunding escrow? Yes No

If **Yes**, explain the procedure and identify the parties involved in the process *(attach sheet with description)*

- 3c. Do you have procedures in place to use a bidding agent or broker to acquire guaranteed investment contracts for any reserve fund investments you may need in connection with an Advance Refunding Bond transaction? Yes No

If **Yes**, how is one selected under the procedures:

- RFP process
- Recommendation
- Internal Guidelines
- Other *(If Other, e.g., use regular financial advisor, explain (attach sheet with description))*

PART III Current Arbitrage Yield Restriction and Rebate Procedures (Continued)

- 3d. Do you have a procedure in place to determine whether or not you use SLGS in connection with an Advance Refunding Bond transaction? Yes No

If **Yes**, explain (*attach sheet with description*)

If **Yes**, explain how your procedures provide guidance on when it is more appropriate to purchase yield restricted investments other than SLGS to ensure compliance with the arbitrage yield restriction and rebate requirements? (*attach sheet with description*)

If your procedures permit the use of a bidding agent or broker to purchase yield restricted escrow investments (other than SLGS) you may need in connection with an Advance Refunding Bond transaction, how is one selected under the procedures

- RFP process
- Recommendation
- Internal Guidelines
- Other (*If Other, e.g., use regular financial advisor, explain (attach sheet with description)*)

In the event three qualified bids are not received for your yield restricted escrows with open market securities, explain your procedures to determine the fair market value of the investments for federal tax purposes related to arbitrage. (*attach sheet with description*)

- 3e. Which of the following procedures are used in connection with your Advance Refunding Bond transaction to send out notices of redemption (call notices)? (*check all that apply*)

- Employee sends out call notices
- Escrow agent or trustee sends out call notices
- Escrow agent or trustee sends out call notices and employee verifies that the notices were sent
- Other (*attach sheet with description*)

PART IV Current Procedures Related to Determining Issue Price

4a. What procedures do you use in determining the issue price for your Advance Refunding Bonds so that the determination of issue price conforms to federal tax requirements? *(check all that apply)*

- Rely on issue price certificate provided by underwriter at closing
- Review with the underwriter its data identifying buyers and the prices for various bond maturities
- Review any source of information other than that provided by the underwriter ("*Outside Source*") to get information on purchasers and pricing
- Other *(attach sheet with description)*

4b. In the event your procedures provide for use of an Outside Source to assist in your review, please identify the source of information and explain how you use it as part of your review. *(attach sheet with description)*

PART V Current Record Retention Procedures

5a. Do you have procedures to maintain records necessary to support the tax-exempt status of your refunded bonds? Yes No

If **Yes**, how long do you keep these records? _____

If **Yes**, how do you maintain these records?

- Paper Files Electronic Media Combination of paper and electronic

5b. Do you have procedures to maintain records necessary to support the tax-exempt status of your Advance Refunding Bonds? Yes No

If **Yes**, how long do you keep these records? _____

If **Yes**, how do you maintain these records?

- Paper Files Electronic Media Combination of paper and electronic

5c. Do you destroy the records of your refunded bonds before you destroy the records of your Advance Refunding Bonds? Yes No

If **Yes**, explain the reasoning behind your document destruction process *(attach sheet with description)*

PART V Current Record Retention Procedures (Continued)

- 5d. Do you have procedures in place to maintain records documenting investments, earnings, and relevant allocations of proceeds related to your Advance Refunding Bonds? Yes No
- 5e. Do you have procedures in place to maintain records for your Advance Refunding Bond proceeds related to:
- i. Investment contracts (e.g., guaranteed investment contracts)? Yes No N/A
 - ii. Credit enhancement transactions (e.g., bond insurance contracts)? Yes No N/A
 - iii. Financial derivatives (swaps, caps, etc.)? Yes No N/A
 - iv. Bidding of financial products for investment securities? Yes No N/A
- 5f. Do you have procedures to maintain copies of the following records for your Advance Refunding Bonds:
- i. Federal tax or information returns (e.g., Form 8038 series returns)? Yes No
 - ii. Your audited financial statements? Yes No
 - iii. Bond transcripts including, but not limited to, official statements, offering documents, or private placement documents of your bond financings? Yes No
 - iv. Minutes and resolutions, orders, or ordinances (or other similar action) authorizing the issuance of your bond financings? Yes No
 - v. Certifications of the issue price of your bond financings? Yes No
 - vi. Formal elections for bond financings (e.g., election to waive a temporary period)? Yes No N/A
 - vii. Trustee statements for your bond financings? Yes No N/A
 - viii. Records of your refunded bonds to the extent necessary to support compliance with federal tax requirements? Yes No
 - ix. Correspondence (letters, e-mails, faxes, etc.) for your bond financings?
 - Letters Yes No
 - E-mails Yes No
 - Faxes Yes No
 - Other Yes No (attach sheet with description)
 - x. Reports of any prior IRS examinations of your entity or bond financings? Yes No N/A
 - xi. Other (attach sheet with description)

PART VI Post-Issuance Compliance Procedures and Educational Resources

- 6a. Do you have written procedures to ensure timely identification of violations of federal tax requirements after your Advance Refunding Bonds are issued and the timely correction of any violations? Yes No

If **Yes**, date such written procedures were implemented? _____ (mm/dd/yyyy)

- If **Yes**, do your written procedures specifically identify responsible individuals by job title? Yes No

If **Yes**, describe in detail your written procedures and how they are implemented to ensure the timely identification and correction of any violations of federal tax requirements. In lieu of this description you may attach a copy of your written procedures. (*attach sheet with description*)

- 6b. Do you have written procedures to ensure timely identification and correction of violations of federal tax requirements related to your refunded bonds which might also impact your Advance Refunding Bonds? Yes No

If **Yes**, date such written procedures were implemented? _____ (mm/dd/yyyy)

- If **Yes**, do your written procedures specifically identify responsible individuals by job title? Yes No

If **Yes**, describe in detail your written procedures and how they are implemented to ensure the timely identification and correction of any violations of federal tax requirements. In lieu of this description you may attach a copy of your written procedures. (*attach sheet with description*)

- 6c. Do you provide training or educational resources to personnel in your entity who are responsible for monitoring post-issuance compliance matters related to your Advance Refunding Bonds? Yes No

If **Yes**, describe such training and educational resources provided (*attach sheet with description*)

PART VII Current Awareness of Voluntary Compliance Options

7a. Are you aware of the following options available to voluntarily correct failures to comply with post-issuance federal tax compliance requirements?

- i. Taking remedial actions to redeem or defease nonqualified bonds pursuant to the Income Tax Regulations? Yes No

If **Yes**, how did you become aware of this option?

- This Questionnaire
 Internal Revenue Service website
 Bond Counsel
 Conference (*GFOA, NABL etc.*)
 Internal Revenue Service publication
 Other

- ii. Entering into a closing agreement under the Tax Exempt Bonds Voluntary Closing Agreement Program described on the Internal Revenue Service /Tax Exempt Bonds website: www.irs.gov/taxexemptbond, see VCAP under the heading Tax Exempt Bond Community Topics Yes No

If **Yes**, how did you become aware of this option?

- This Questionnaire
 Internal Revenue Service website
 Bond Counsel
 Conference (*GFOA, NABL etc.*)
 Internal Revenue Service publication
 Other

Under penalties of perjury, I declare that I have examined this completed questionnaire, including accompanying documents and statements, and to the best of my knowledge and belief, the completed questionnaire contains all the relevant facts relating to the answers to the questionnaire, and such facts are true, correct, and complete.

Signature: _____ Date: _____

Printed Name: _____

Title: _____

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