

RESOLUTION NUMBER 4589

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS ACTING FOR THE CITY AND IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 93-2 (PERRIS PLAZA) OF THE CITY OF PERRIS, REVISED, AUTHORIZING THE ISSUANCE OF BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3,500,000, PERMITTING THE PURCHASE OF SUCH BONDS BY THE PERRIS JOINT POWERS AUTHORITY, AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"), the City originally formed Community Facilities District No. 93-2 (Perris Plaza) of the City of Perris (the "District") on October 25, 1993, by the adoption of Resolution No. 2321, for the purpose of providing financing for the acquisition and construction of public facilities associated therewith, and also approved the levy of a special tax in accordance with the rate and method of apportionment (the "Rate and Method of Apportionment") and approved issuance of bonds by the District; and

WHEREAS, the City Council of the City of Perris (the "City") located in Riverside County, California (hereinafter sometimes referred to as the "legislative body of the Revised District"), has heretofore as legislative body of the District issued its Community Facilities District No. 93-2 (Perris Plaza) of the City of Perris Special Tax Bonds, 1995 Series A (the "Prior District Bonds") in the principal aggregate amount of \$6,200,000, secured by the levy of special taxes in the District; and

WHEREAS, the Perris Public Financing Authority (the "PPFA"), which was an authority created under the Joint Exercise of Powers Act (Sections 6500 *et seq.* of the California Government Code) (the "Bond Law") between the City of Perris and the Redevelopment Agency of the City of Perris pursuant to a Joint Exercise of Powers Agreement dated August 28, 1989, purchased the Prior District Bonds with the proceeds of the sale of its Perris Public Financing Authority Local Agency Revenue Bonds, 1995 Series D, (the "Prior Authority Bonds," collectively, with the Prior District Bonds, the "Prior Bonds") in the principal aggregate amount of \$6,795,000, issued pursuant to the Bond Law; and

WHEREAS, there is currently \$4,470,000.00 outstanding of the Prior Authority Bonds; and

WHEREAS, in May 2012, the City approved an amended Rate and Method of Apportionment, and amended the boundaries of the District (the "Revised District"); and

WHEREAS, the City Council has heretofore undertaken proceedings and declared the necessity of the Revised District to issue bonds with respect to the Revised District pursuant to the terms and provisions of the Act; and

WHEREAS, pursuant to a Resolution adopted by the legislative body of the Revised District on October 9, 2012, (the "Resolution"), a certain refunding bond proposition was submitted to the qualified electors of the Revised District, and was approved by more than two-thirds of the votes cast at the elections held within the Revised District on October 9, 2012; and

WHEREAS, based upon the Resolution adopted by the legislative body of the Revised District and the elections, the Revised District is now authorized to issue refunding bonds, pursuant to the Act, in an aggregate principal amount not to exceed \$5,000,000 for the Revised District; and

WHEREAS, the legislative body of the Revised District desires to issue bonds at this time under the Act, with the assistance of the Perris Joint Powers Authority, to refinance and/or cancel the Revised District's outstanding Prior District Bonds and \$4,470,000.00 of the Prior Authority Bonds, which financed certain costs of facilities provided to the District, including public facilities which the District is authorized to finance; and

WHEREAS, the Revised District desires to accomplish the refinancing of certain public facilities through the issuance of refunding bonds in an aggregate principal amount not to exceed \$3,500,000 designated as the Community Facilities District No. 93-2 (Perris Plaza), of the City of Perris, Revised Special Tax Bonds, 2013 Series (the "District Bonds"); and

WHEREAS, in order to effect the issuance of the District Bonds, the legislative body of the Revised District desires to approve and authorize the execution and delivery of a Fiscal Agent Agreement, a form of which is on file with the City Clerk, between the Revised District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent Agreement"); and

WHEREAS, the City and the Housing Authority of the City, entered into a Joint Exercise of Powers Agreement, dated as of March 26, 2013, pursuant to which the Perris Joint Powers Authority (the "Authority") was formed to assist the City and the Housing Authority of the City in their respective financings; and

WHEREAS, the legislative body of the Revised District has determined in accordance with Government Code Section 53360.4, 53363.5 and other applicable laws that a negotiated sale of the District Bonds to the Authority in accordance with the terms of the Commitment Agreement and Purchase Contract for purchase and sale of Local Obligation Bonds to be entered into by the Revised District and the Authority (the "Local Obligation Bond Purchase Contract"), a form of which is on file with the City Clerk, will result in a lower overall cost to the Revised District than a public sale of the District Bonds; and

WHEREAS, the Authority will issue its Perris Joint Powers Authority Local Agency Revenue Bonds (PPFA 1995 Series D Refunding), 2013 Series A (the "Authority Bonds") pursuant to the Bond Law to refund the Prior Authority Bonds, and use the proceeds

thereof to purchase the District Bonds from the Revised District, to pay certain costs of issuance and fund certain reserve funds and other funds in connection therewith; and

WHEREAS, the Authority will sell the Authority Bonds to O'Connor & Company Securities, Inc. (the "Underwriter") pursuant to the terms of the Purchase Contract, by and among the Authority, the Revised District and the Underwriter (the "Authority Purchase Contract"), a form of which is on file with the City Clerk; and

WHEREAS, in order to effect the issuance of the District Bonds by the Revised District and the Authority Bonds, and the refunding of the Prior Bonds, the legislative body of the Revised District desires to approve the form of a Preliminary Official Statement for the Authority Bonds related to the District Bonds and to approve the forms of and authorize the execution and delivery of a Fiscal Agent Agreement, the Purchase Contract, the Local Obligation Bond Purchase Contract, the Continuing Disclosure Agreement (as hereinafter defined), the Escrow Agreement (as hereinafter defined) and certain other agreements related thereto, the forms of which are on file with the City Clerk; and

WHEREAS, the legislative body of the Revised District has determined that it is prudent in the management of its fiscal affairs to issue the District Bonds, that it will accomplish a public purpose, and that refunding the Prior Bonds will effect savings; and

WHEREAS, the value of the real property in the Revised District subject to the special tax to pay debt service on the District Bonds is more than three times the principal amount of the District Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the applicable improvement area of the Revised District, which fact is required as a precondition to the issuance of the District Bonds.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris, acting for itself and as the legislative body of Community Facilities District No. 93-2 (Perris Plaza) of the City of Perris, Revised, does hereby resolve, determine and order as follows:

Section 1. Each of the above recitals is true and correct and is adopted by the legislative body of the Revised District.

Section 2. The Revised District is authorized pursuant to the Act to issue the District Bonds for the purpose of refinancing capital improvements and public facilities in the District and effectuate the refunding and/or cancellation of the Prior District Bonds.

Section 3. The issuance of the District Bonds in a principal amount not to exceed \$3,500,000 is hereby authorized with the exact principal amount to be determined by the official signing of the Local Obligation Bond Purchase Contract for the District Bonds in accordance with Section 7 below. The legislative body of the Revised District hereby determines that it is prudent in the management of its fiscal affairs to issue the District Bonds. The District Bonds shall mature on the dates and pay interest at the rates set forth in the Local Obligation Purchase Contract to be executed on behalf of the District in accordance with Section 7 hereof.

Section 4. The form of the Fiscal Agent Agreement, a copy of which is on file with the City Clerk, be and is hereby approved in substantially the form thereof or with such changes as may be approved by the Mayor, City Manager, Assistant City Manager or Finance Director (each, an "Authorized Officer"), said Authorized Officer's execution thereof to constitute conclusive evidence of said officer's approval of all such changes, and each of said Authorized Officers be and is hereby authorized, together or alone to execute and deliver said Fiscal Agent Agreement. The City Clerk or a duly authorized Deputy or Assistant City Clerk (the "City Clerk") is hereby authorized to attest to said Authorized Officer's signature.

Section 5. The District Bonds shall be executed on behalf of the Revised District by the manual or facsimile signature of an Authorized Officer, and attested with the manual or facsimile signature of the City Clerk. U.S. Bank National Association is hereby appointed to act as fiscal agent for the District Bonds.

Section 6. The covenants set forth in the Fiscal Agent Agreement to be executed in accordance with Section 4 above are hereby approved, shall be deemed to be covenants of the legislative body of the Revised District, and shall be complied with by the Revised District and its officers.

Section 7. The form of the Local Obligation Bond Purchase Contract and the Authority Purchase Contract relating to the purchase of the District Bonds by the Authority and relating to the purchase of the Authority Bonds by O'Connor & Company Securities, Inc., copies of which are on file with the City Clerk, be and are hereby approved in the forms thereof, or with such changes as may be approved by an Authorized Officer, said Authorized Officer's execution thereof to constitute conclusive evidence of said officer's approval of all such changes, and each Authorized Officer be and is hereby authorized, together or alone, to execute and deliver said agreements and to insert in each of the aforesaid Agreements the dollar amount which reflects the provisions of said purchase contracts; provided, however, that the true interest cost with respect to the Authority Bonds shall not exceed 5% and the Underwriter's discount shall not exceed 2% of the of the principal amount of the Authority Bonds thereof, excluding any original issue discount on the Authority Bonds and the purchase price of the District Bonds shall not exceed any amount prohibited by the Bond Law.

Section 8. The form of the Continuing Disclosure Agreement executed and delivered by the Revised District and Willdan Financial Services, as Dissemination-Agent thereunder, a copy of which is on file with the City Clerk (the "Continuing Disclosure Agreement"), be and is hereby approved in substantially the form thereof or with such changes as may be approved by an Authorized Officer, said Authorized Officer's execution thereof to constitute conclusive evidence of said officer's approval of all such changes, and each Authorized Officer be and is hereby authorized, together or alone, to execute and deliver said Agreement.

Section 9. The form of the Preliminary Official Statement presented at this meeting is hereby approved, and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to municipal bond broker-dealers, to banking institutions, and to members of the general public who may be interested in purchasing the Authority Bonds. Each Authorized Officer is authorized to approve the amendment of the Preliminary Official

Statement, from time to time, pending distribution of the Preliminary Official Statement as shall be required to cause such Preliminary Official Statement to contain any further information necessary to accurately describe the District Bonds and the Authorized Officer is authorized to deem final the Preliminary Official Statement as of its date for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934 as amended. The final Official Statement relating to the District Bonds shall be submitted to the Mayor, City Manager, Assistant City Manager or the Finance Director for approval.

Section 10. The form of the Escrow Agreement (the “Escrow Agreement”) between the PPFA, the Authority, the Revised District, and U.S. Bank National Association as Escrow Agent, a copy of which is on file with the City Clerk, be and is hereby approved in substantially the form thereof or with such changes as may be approved an Authorized Officer, said Authorized Officer's execution thereof to constitute conclusive evidence of said officer’s approval of all such changes, and each of said Authorized Officers be and is hereby authorized, together or alone to execute and deliver said Escrow Agreement.

Section 11. In accordance with the requirements of Section 53345.8 of the Act, the legislative body of the Revised District hereby determines that the value of the real property in the Revised District subject to the special tax to pay debt service on the District Bonds is not less than three times the principal amount of the District Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the Revised District. This determination is based on the assessed value of the real property within the Revised District as shown in the records of the County. The Revised District has not prepared an appraisal in connection with the refinancing of the original District because the Revised District has already been developed, and therefore, the City waives any requirement in the City’s policies related to an appraisal.

Section 12. The City Council approves of the financing and hereby finds that significant public benefits exist in undertaking the financing in accordance with the criteria set forth in Government Code Section 6586, including demonstrable savings in effective interest rate.

Section 13. All conditions precedent to the financing pursuant to the City's policies relating to Mello-Roos Districts have been met or are hereby waived.

Section 14. The law firm of Aleshire & Wynder, LLP, Irvine, California, is hereby appointed as bond counsel to the Revised District with respect to the District Bonds.

Section 15. The financing consultant firm of Rod Gunn Associates, Inc., Huntington Beach, California, is hereby appointed as financial advisor to the Revised District with respect to the District Bonds.

Section 16. The law firm of Fulbright & Jaworski, L.L.P., Los Angeles, California, is hereby appointed as Disclosure Counsel with respect to the District Bonds.

Section 17. Each Authorized Officer and the other officers and staff of the City and the Revised District responsible for the fiscal affairs of the Revised District are hereby authorized and directed to take any actions and execute and deliver any and all documents and

certificates as are necessary to accomplish the issuance, sale and delivery of the District Bonds and to consummate the transactions contemplated by each aforesaid Agreement. In the event that the Mayor is unavailable to sign any document authorized for execution herein, any Authorized Officer may sign such document. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy or assistant city clerk.

Section 18. The City hereby further adopts the “Post-Issuance Compliance Policies And Procedures,” in the form attached hereto as Exhibit “A” and subject to such changes as may be convenient or upon the advice of Bond Counsel upon discussion with an Officer of the City, for the purpose of assuring that appropriate compliance measures are in place upon issuance of the District Bonds and the Authority Bonds.

Section 19. This resolution shall take effect and be enforceable immediately upon its adoption.

ADOPTED, SIGNED and APPROVED this 30 day of April, 2013.

Daryl R. Busch, MAYOR OF THE CITY OF PERRIS

Attest:

Judy L. Haughney, City Clerk

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) §
CITY OF PERRIS)

I, Judy L. Haughney, CITY CLERK OF THE CITY OF PERRIS, DO HEREBY CERTIFY that the foregoing Resolution Number 4589 was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 30th day of April, 2013, and that it was so adopted by the following vote:

AYES: LANDERS, RODRIGUEZ, ROGERS, YARBROUGH, BUSCH

NOES:

ABSENT:

ABSTAIN:

By: _____
Judy L. Haughney, City Clerk

EXHIBIT “A”

POST-ISSUANCE COMPLIANCE POLICIES AND PROCEDURES

WRITTEN PROCEDURES FOR BOND POST ISSUANCE COMPLIANCE

FINANCE DEPARTMENT

Purpose

The purpose of the Post-Issuance Compliance Policies and Procedures for Bonds (“Compliance Policy”) is to ensure that the City of Perris and/or its related entities (the “Issuer”), will be in compliance with requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied with respect to Bonds (as defined below) prior to, at the time of, and after issuance so that the Bonds, and the interest thereon, will be and will remain qualified for an exclusion from gross income for federal income tax purposes, federal tax credit or subsidy payments, as applicable. All capitalized terms used herein have the meanings ascribed to them below.

Compliance Officer

The Assistant Finance Director and/or Finance Director shall be the compliance officer with respect to monitoring the Issuer’s compliance with post-issuance federal tax requirements for its Bonds. The compliance officer shall also participate in each new issue of Bonds in order to understand the federal tax requirements of said new Bonds. Other persons who shall be familiar with the existence of policies and be provided a reminder copy each year during the compliance period shall be the City Clerk, the City Engineer, the City Manager, the City Council, the Treasurer and any person at the City responsible for overseeing expenditure of bond proceeds or investments of the same or funds designated under bond documents.

Policy

1. Certain Definitions. The following capitalized terms have the following meanings for purposes of these policies and procedures:

“**Bonds**” means and include(s) bonds, notes, certificates of participation, lease/purchase agreements and other forms of taxable and tax exempt obligations of the Issuer issued from time to time, that are subject to any provisions of the Code.

“**Bond Counsel**” means an attorney or firm experienced in the issuance of municipal bonds. Bond Counsel for each series of Bonds shall be identified in the Schedule.

“**City Council**” means City Council of the City.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Compliance Check Period**” means as of June 30 of each year.

“**Compliance Officer**” means the _____ of the Issuer (or the equivalent Issuer officer) or a designee identified in a written certificate of the _____ (or the equivalent Issuer officer), or identified in a written certificate executed by the _____.

“**Compliance Policy**” means this Post-Issuance Compliance Policies and Procedures for Bonds, as hereafter amended, supplemented or modified.

“**Filing Agent**” means a person or firm experienced in making the necessary filings with respect to any tax credit or subsidy to be made in respect of any Bonds.

“**Fiscal Agent**” means a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, as identified in the documents relating to each issuance of the Bonds. The term “Fiscal Agent” also includes any other entity which holds proceeds of Bonds on behalf of the Issuer. The current fiscal agent is U.S. Bank National Association.

“**IRS**” means the Internal Revenue Service.

“**Rebate Analyst**” means a person or firm experienced in the calculation of arbitrage rebate liability.

“**Regulations**” means the temporary, proposed or final Income Tax Regulations promulgated by the United States Department of the Treasury and applicable to the Bonds.

“**Schedule**” means the matrix, table or index of the Issuer’s outstanding Bonds prepared, maintained and updated by the Compliance Officer from time to time.

“**Tax Certificate**” means, in connection with each issuance of the Bonds, a certificate, agreement or equivalent document delivered by the Issuer for the purpose of establishing the reasonable expectations of the Issuer as to the amount and use of the proceeds of the Bonds.

“**Taxable Bond**” means any bonds the interest on which is included in gross income under Section 103(a) of the Code.

“**Tax-Exempt Bond**” means any bonds the interest on which is excludable from gross income under Section 103(a) of the Code. Tax-Exempt Bond includes an interest in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is interest that is excludable from gross income under Section 103(a) of the Code.

2. Arbitrage Yield Restriction and Rebate Requirements. The Compliance Officer shall maintain, or cause to be maintained, records of the following:

- a. Purchases and sales of investments made with proceeds of the Bonds (including amounts treated as “gross proceeds” of bonds under section 148 of the Code)

and receipts of earnings on those investments (for example, these may be in the form of trustee statements and bank statements related to the City's or its related entities particular bond accounts/proceeds);

b. Expenditures of proceeds of the Bonds (including investment earnings) for the governmental purposes of the Bonds, such as for the costs of acquiring, constructing, improving and/or renovating Issuer property and facilities (for example, these may include all requisitions, contracts entered into related to expenditure of proceeds, budgets related to expenditure, final allocations, approvals of the city council related to certain expenditures, if necessary);

c. If appropriate in connection with any issuance of Bonds, information showing the Issuer's eligibility as a "small issuer" for arbitrage rebate purposes. Such eligibility will include the City's determination that the City did not reasonably expect to issue more than the applicable aggregate principal amount of bonds prescribed by the Code and Regulations in the calendar year in which the eligible bonds are issued (usually \$5 Million in one year, not generally applicable to Perris);

d. Calculations that will be sufficient to demonstrate to the IRS in the event of an audit of a Bond issue that, where applicable, the City has complied with an available spending exception to the arbitrage rebate requirement in respect to such Bonds (Hiring of consultant to do regular rebate reports every five years, i.e. Spending exceptions require expenditures within certain time periods and definitely within 2 years of issuance);

e. Calculations sufficient to demonstrate to the IRS in the event of an audit of any Bonds for which no exception to the arbitrage rebate requirements was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of such Bonds was calculated and timely paid with the appropriate IRS form timely filed with the IRS (The city has hired Wildan Financial Services to undertake yearly rebate calculations pursuant to its contract with Wildan. Should the contract expire, the City shall undertake hiring another party);

f. Information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for Bonds, and investments made with unspent Bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments except with the written approval by Bond Counsel (trustee statements and other city bank statements re proceeds held at city); and

g. Any records the City may reasonably obtain relating to the prices at which bonds may trade after their initial offering but prior to their delivery or issue date (City may check EMMA (MSRB Website) to see trades and may ask underwriter to confirm prices that the bonds are trading at).

3. Retention of Records. The Compliance Officer shall maintain, or cause to be maintained, all records (written or pictorial records may be in electronic form) relating to the requirements of the Code and the representations, certifications and covenants set forth in the Tax Certificate for an issuance of Bonds executed at the time of issuance of the Bonds until three years after the last of such Bonds have been retired, unless otherwise permitted or required by future IRS regulations or other guidance. If any Bonds are refunded (the "Refunding

Obligations”), the City has covenanted to maintain or cause to be maintained all records required to be retained by this paragraph until the later of the date three years after the last outstanding bonds have been retired or the date three years after the last Refunding Obligations have been retired. The records that must be retained include, but are not limited to:

- a. The official transcript of proceedings for the original issuance of the bonds, containing all basic records and documents relating to the Bonds and, if applicable, the Refunding Obligations relating to any series of Bonds;
- b. Documentation evidencing the expenditure of Bond proceeds (including purchase contracts, construction contracts, progress payments, invoices, cancelled checks, payment of bond issuance costs and records of “allocations” of Bond proceeds to reimburse the Issuer for project expenditures made before the bonds were issued together with any record evidencing the official intent of the City Council to reimburse itself from bond proceeds (for example a reimbursement resolution);
- c. Documentation pertaining to any investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations);
- d. Documentation evidencing the use of the project(s) financed with the Bonds by public and private sources (i.e., copies of invoices, payment requests, management contracts, research agreements, leases, etc.); and
- e. Documentation evidencing all sources of payment or security for the Bonds.
- f. Information, records and calculations showing that, with respect to each Bond issue, that the Issuer was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with the appropriate IRS form timely filed with the IRS, as described in Paragraph 2, above;
- g. Any records relating to the assignment or allocation of volume cap to any tax credit or subsidy bonds and any elections made with respect thereto; and
- h. Records, if any, relating to monitoring secondary market trading activity for any of the Bonds.

The basic purpose of the foregoing record retention policy is to enable the Issuer to readily demonstrate to the IRS, in connection with any audit or inquiry concerning the Bonds, full compliance with all federal tax requirements that must be satisfied so that interest on those Bonds continues to be qualified for an exclusion from gross income for federal income tax purposes or for tax credit or subsidy payment purposes under the Code.

The City hereby acknowledges its responsibility to maintain such records. The Compliance Officer shall update the Schedule each Compliance Frequency Period to ensure that it reflects all Bond issues outstanding from time to time.

4. Restrictions on Private Business Use and Private Loans; Remedial Actions. The Issuer understands that there are restrictions on private business use of assets financed with Bond proceeds and restrictions on the use of Bond proceeds to make or finance any loan to any person other than a state or local government unit. The Compliance Officer shall consult Bond Counsel in the event private business use or private loans are contemplated. Examples of potential private use events include, but are not limited to, sales of bond financed facilities, leases with respect to bond financed facilities and management contracts with respect to bond financed facilities. The Compliance Officer shall also consult with Bond Counsel to determine whether any remedial actions pursuant to Regulations Section 1.141-12 must be taken in order to prevent such private business use or private loans from jeopardizing the tax exempt status of the Bonds. As a practical matter it is important to know and check compliance with respect to any private use of a bond financed facility, sale, lease, or other use and any private payments coming to the Issue from a private party, letter of credit, assessment or special tax levied only in a particular area like a CFD.

5. Redemption from Unexpended Proceeds. The Issuer understands that with respect to certain obligations (e.g., Build America Bonds) there is a requirement that if all of the proceeds are not expended for the qualified purpose by the end of an expenditure period (typically, three years), then a portion of the outstanding obligations (the “Nonqualified Bonds”) must be retired shortly after the end of such expenditure period. On the Schedule, the Compliance Officer will note any obligations of the Issuer which are subject to this early redemption requirement. With respect to such obligations, the Compliance Officer will monitor the expenditure of the proceeds during the expenditure period and will ensure that any unexpended proceeds are used to retire a portion of such obligations, either directly by the Issuer, or in the case of proceeds held by a Fiscal Agent on behalf of the Issuer, by that Fiscal Agent. The Compliance Officer shall consult Bond Counsel to assist the Issuer in determining the appropriate amount of Nonqualified Bonds.

6. Education Policy With Respect to Requirements for Bonds. The Compliance Officer and each designee, if any, will be provided with education and training on federal tax requirements applicable to bonds, as needed. The City recognizes that such education and training is vital as a means of helping to ensure that the Issuer remains in compliance with all requirements applicable to the Bonds. The Compliance Officer and any of designees will be provided the time to attend and participate in educational and training programs with respect to federal tax requirements, securities requirements and disclosure requirements related to bonds, and will be reimbursed for reasonable expenses incurred with respect to attendance at such events.

7. Retention of Rebate Analysts, Filing Agents or Other Professionals. The City may retain for particular transactions one or more Rebate Analysts, Filing Agents or other professionals for the purpose of filing any necessary forms to obtain refundable tax credits. A Rebate Analyst may also be retained or engaged at the outset of a transaction to advise the Issuer with respect to the transaction structure that will allow the Issuer to take advantage of any available exceptions to the arbitrage rebate rule.

The City acknowledges that arbitrage rebate payments, if due, are to be made to the United States of America at the end of each and every fifth bond year during which a series

of Bonds is outstanding and upon the final maturity of each series of Bonds. The Compliance Officer shall review, from time to time, the tax compliance certificates and agreements executed and delivered for outstanding Bonds to determine the specific deadlines for calculating and submitting arbitrage rebate payments. The Compliance Officer also acknowledges that rebate calculations may need to be completed following a refunding of bonds and will consult the Tax Certificate for the applicable issue.

8. Periodic Review. The compliance Officer will perform the tasks described in this Compliance Policy each Compliance Check Period. In addition, the Compliance Officer shall cause this Compliance Policy to be reviewed at least annually by Bond Counsel to ensure conformity with current Regulations, and will amend this Compliance Policy from time to time, as necessary.

9. Policy Document. This Compliance Policy of the Issuer shall apply on an ongoing basis to Bonds issued by the Issuer from 2013 (and shall be used to assist with compliance of Bonds issued prior to such period). The purpose of the policy is to assist with post issuance compliance of the Issuer in order to conform with the tax requirements and provide for easier transitions of staff and other persons handling the Issuer's post issuance compliance.