

MODEL PROCEDURES

Vermont Educational and Health Buildings Financing Agency Borrower Post-Issuance Tax Compliance Procedures For Tax-Exempt Bonds

The purpose of these Post-Issuance Tax Compliance Procedures, established by _____ (“**Borrower**”), is to maximize the likelihood that post-issuance requirements of federal income tax law applicable to the various issues of bonds issued by Vermont Educational and Health Buildings Financing Agency (“**Agency**”) for the benefit of the Borrower (the “**Bonds**”) are met. The Borrower reserves the right to use its discretion as necessary and appropriate to make exceptions or request additional provisions as circumstances warrant. The Borrower also reserves the right to change these policies and procedures from time to time.

General

The Borrower recognizes that the procedures herein will apply for all Bonds issued for the benefit of the Borrower by the Agency.

Post-Issuance Compliance Requirements

External Advisors / Documentation

The Borrower 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 necessary or appropriate so that the Bonds will continue to qualify for tax-exempt status. The Borrower also shall consult with bond counsel and/or other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in the use of property financed or refinanced with the Bonds (“**Bond-financed property**”).

The Borrower shall determine, or obtain expert advice to determine, whether arbitrage rebate calculations have to be made for the Bond issue. If it is determined that such calculations are, or are likely to be required, the Borrower shall engage expert advisors (each a “**Rebate Service Provider**”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds. The Borrower shall make any rebate payments required on a timely basis, and shall involve the Agency as necessary and appropriate, including the signing and filing of appropriate IRS forms (*e.g.*, Form 8038-T).

Unless otherwise provided by the indenture, trust agreement, bond purchase agreement or similar document relating to the Bonds, unexpended Bond proceeds shall be held by a trustee or other financial institution (a “**Trustee**”), and the investment of Bond proceeds shall be managed by the Borrower. The Borrower shall prepare, or cause the Trustee to

prepare, regular, periodic statements regarding the investments and transactions involving Bond proceeds and such statements shall be delivered to the Agency upon request.

Arbitrage Rebate and Yield Compliance

[TITLE OF EMPLOYEE/OFFICER OF BORROWER] shall be responsible for overseeing compliance with arbitrage rebate requirements under federal tax law:

- (1) Restricting the yield on investment of bond proceeds not spent by the end of the applicable temporary periods set forth in the Tax Certificate or make yield reduction payments;
- (2) If, at the time of Bond issuance, based on the Borrower's reasonable expectations, it appears likely that the Bond issue will qualify for an exemption from the rebate requirement, the Borrower may defer taking any of the actions set forth in subsection (3) below. Not later than the time of completion of construction or acquisition of the capital projects financed with proceeds of the Bonds, and depletion of all funds from the project fund, the Borrower shall make, determine, or cause its Rebate Service Provider to determine, whether any of the Bond proceeds qualified for a spending exception or other exception from the rebate requirements. If a rebate exception is determined to be applicable for all of the proceeds of the Bonds, the Borrower shall prepare and keep in the permanent records of the Bond issue a memorandum evidencing this conclusion together with records of expenditure (or other records) to support such conclusion. If the transaction does not qualify for a rebate exception for all of the proceeds of the Bonds, the Borrower shall initiate the steps set forth in subsection (3) below.
- (3) If, at the time of Bond issuance it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to subsection (1) above, Borrower shall:
 - engage the services of a Rebate Service Provider and, prior to each rebate calculation date, cause the Trustee investing Bond proceeds to deliver periodic statements concerning the investment of Bond proceeds to the Borrower or the Rebate Service Provider;
 - provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
 - monitor the efforts of the Rebate Service Provider;
 - assure the payment of required rebate amounts, if any, (i) no later than 60 days after the end of each "rebate computation period" selected by the Borrower (and

communicated to the Agency, whether in the Tax Certificate or otherwise), the first of which must end no later than on the 5-year anniversary of the issue date of the Bonds, and (ii) no later than 60 days after the last Bond of each issue is redeemed;

- during the construction period of each capital project financed in whole or in part by Bonds, monitor the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including during each 6-month spending period up to 6 months, 18 months or 24 months, as and if applicable, following the issue date of the Bonds;
- determining whether, at the end of the particular expenditure period, the expenditure of Bond proceeds has in fact satisfied an exception the arbitrage rebate requirement for all or a portion of the proceeds of the Bonds;
- retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements" and, upon request, provide such copies to the Agency; and
- establish procedures to ensure that investments that are acquired with Bond proceeds are so acquired at their fair market value.

Use of Bond Proceeds and Bond-Financed Property

[TITLE OF EMPLOYEE/OFFICER OF BORROWER] shall be responsible for:

- maintaining records identifying the Bond-financed property of each issue of Bonds (including investment earnings and including reimbursement of expenditures made before Bond issuance), including a final allocation of Bond proceeds as described below under "Record Keeping Requirements;"
- monitoring the use of Bond proceeds (including investment earnings) and the use of Bond-financed property (*e.g.*, facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
- maintaining records for any leases, contracts or arrangements involving the use of Bond-financed property as described below under "Record Keeping Requirements;"
- consulting with bond counsel and other legal counsel and advisers in the review of any sale, disposition or change in use, or potential change in use, of Bond-financed property to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds;

- conferring at least annually with personnel responsible for Bond-financed property to identify and discuss any existing or planned use of Bond-financed property and to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds; and
- to the extent that the Borrower discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed property will or may be violated, including any use that may be an unrelated trade or business use within the meaning of Section 513(a) of the Code without regard to any exceptions for unrelated trade or business income, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Bonds or take other remedial action, if such counsel advises that a remedial action is necessary.

Record Keeping Requirement

[TITLE OF EMPLOYEE/OFFICER OF BORROWER] shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least six years:

- General. All legal and closing documents relating to the Bonds, including indentures, trust agreements, resolutions, public notices, tax certificates, opinions of counsel (issued at the time of closing or subsequently), amendments to the foregoing documents and any and all documents included in the transcript with respect to the Bonds;
- Project Expenditures. Documents evidencing the expenditure of proceeds from the sale of the Bonds and investment earnings thereon and the specific assets financed and refinanced with such proceeds, including any declarations of official intent to reimburse expenditures, feasibility studies, projected draw schedules, requisitions and closing flow of funds memoranda;
- Funds and Accounts. Documents setting forth all funds and accounts relating to the Bonds, including debt service funds, reserve funds, sinking funds and pledged funds, and any agreements with respect thereto;
- Investment of Gross Proceeds - General. Documents pertaining to the investment of the Gross Proceeds of the Bonds, including the purchase and sale of securities, Time and Demand Deposit SLGS subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, projected investment income calculations expected to be received from the investment of proceeds, guaranteed investment contracts, rebate calculations, credit enhancement, swap transactions and verification reports;
- Investment of Gross Proceeds - Nonpurpose Investments. With respect to all Nonpurpose Investments acquired in any fund or account in connection with the

Bonds, the following information will be recorded and retained: (i) purchase date, (ii) purchase price, (iii) information establishing that the purchase price is the fair market value as of such date (e.g., the published quoted bid by a dealer in such an investment on the date of purchase), (iv) any accrued interest paid, (v) face amount, (vi) coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date;

- Economic Life Data. Documents supporting the economic life of the assets financed and refinanced with proceeds of the Bonds;
- Allocations. Documents evidencing any allocations with respect to the Gross Proceeds of the Bonds;
- Use of Financed Assets. Documents evidencing the use and ownership of the property financed and refinanced with proceeds of the Bonds, including leases, management contracts, service contracts and otherwise, with respect to the use and ownership of such property;
- Payments or Security. Documents evidencing sources of payment or security for the Bonds, including liquidity covenants and negative covenants, and any agreements with respect thereto;
- Tax Returns and Related Information. IRS Form 8038, 8038-T and 8038-R, as applicable, and information relating to the pricing of the Bonds, yield calculations, weighted average maturity calculations, other information included in the 8038 statistics report, verification reports and arbitrage rebate reports; and
- Disposition Proceeds. Documents, if any, evidencing the sale or other disposition of the financed property.

DATED: _____

[BORROWER]

By: _____

Name: _____

Title: _____