

CAPITAL INDUSTRIAL DEVELOPMENT CORPORATION
PROCEDURES FOR POST-ISSUANCE COMPLIANCE OF
TAX-EXEMPT FINANCINGS

General

The purpose of this practices and procedures for post-issuance compliance of tax-exempt financings (these "Procedures") is to ensure that the Capital Industrial Development Corporation (the "Corporation") tax-exempt bond financings remain in compliance with the following federal tax requirements:

- Record retention
- Arbitrage yield restriction and rebate
- Proper and timely use of bond proceeds and bond-financed property
- Timely return filings
- Corrective Actions
- Other general requirements

These Procedures apply to any obligations to which Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the "Code") apply, whether or not such obligations are in fact tax-exempt. For example, these Procedures will be followed with respect to any issue of tax-credit bonds to which such sections of the Code apply. Further, the conduit borrowers (as designee of the Corporation) are responsible for compliance with any requirements set forth in subsequent rulings and other advice published by the Internal Revenue Service (the "Service" or the "IRS"), as such authorities may apply to the Corporation and its obligations.

Responsible Parties

The Corporation manager will have responsibility for working with conduit borrowers to comply with these procedures. However, each conduit borrower is ultimately responsible for the post-issuance compliance of bond financings.

Parties working for the conduit borrower(s) responsible for the financing aspects and the operations aspects of bond-financed facilities will coordinate efforts to ensure that any actions taken with respect to a bond-financed facility will be in compliance with the requirements of the Code.

General Recordkeeping

General record retention duties are the responsibility of the conduit borrower.

The conduit borrower will maintain a copy of the following documents on file at all times:

- Organizational documents (articles of incorporation or certificate of formation, bylaws and any amendments to the same)
- Audited Financial Statements
- Reports of any examinations by the Internal Revenue Service of the Corporation or its tax-exempt financings for the conduit borrower

With respect to each issue of tax-exempt obligations, the Corporation hereby requires, and each conduit borrower agrees to retain, the following for the life of the obligations plus three years:

- Bond transcript and offering document
- Minutes and resolution(s) authorizing the issue
- Certifications of issue price
- Any formal elections (e.g., election to employ an accounting methodology other than specific tracing)
- Appraisals, demand surveys, and/or feasibility studies for bond-financed property
- Government grant documentation related to construction, renovation, or purchase of bond-financed facilities
- Related publications, brochures, and newspaper articles
- Bond Trustee statements
- Correspondence regarding such issue
- Any agreement listed in “Private Business Use – Special Legal Entitlements” that relates to a bond-financed facility

Investments and Arbitrage Compliance

The Corporation does not invest the proceeds of the bonds. The conduit borrower is responsible for monitoring such investments, and to take steps to ensure compliance, with the yield restriction requirements of section 148(a) of the Code and the rebate requirements of section 148(f) of the Code. Such monitoring includes, but is not limited to:

- tracking the allocation of bond proceeds to expenditures for compliance with any temporary period and spending exceptions, no less frequently than yearly
- ensuring that any forms required to be filed with the IRS relating to arbitrage and any payments required pursuant thereto are filed in a timely manner
- ensuring that “fair market value” is used with respect to the purchase and sale of investments

Additionally, the conduit borrower shall monitor, compliance with rebate and yield restriction rules on a yearly basis.

With respect to each issue of tax-exempt obligations, the conduit borrower agrees to retain, the following for the life of the obligations plus three years:

- Documentation of allocations of investments and calculations of investment earnings
- Documentation for investments of the bond proceeds related to:
 - a) Investment contracts (e.g., guaranteed investment contracts)
 - b) Credit enhancement transactions (e.g., bond insurance contracts)
 - c) Financial derivatives (e.g., swaps, caps, etc.)
 - d) Bidding of financial products

- Documentation regarding arbitrage compliance, including:
 - a) Computation of bond yield
 - b) Computation of rebate and yield reduction payments
 - c) Form 8038-T, *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*
 - d) Form 8038-R, *Request for Recovery of Overpayments Under Arbitrage Rebate Provisions*

Expenditures and Assets

The conduit borrower is responsible for oversight of the expenditure of bond proceeds, including monitoring whether such expenditures are made in a timely manner for the purposes for which the bonds were authorized. Each conduit borrower will ensure, that all proceeds of a bond issue are allocated to expenditures by the later of 18 months after the expenditure was made or the date the project is placed in service (and in no event, later than 60 days after [i] the fifth anniversary of the issue date or [ii] retirement of the issue).

With respect to each issue of tax-exempt obligations, each conduit borrower shall retain, the following for the life of the obligations plus three years:

- Documentation of allocations of bond proceeds to expenditures (e.g., allocation of bond proceeds for expenditures for the construction, renovation or purchase of facilities)
- Documentation of allocations of bond proceeds to bond issuance costs
- Copies of all requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks related to bond proceeds spent during the construction period
- Copies of all contracts entered into for the construction, renovation or purchase of bond-financed facilities
- Records of expenditure reimbursements incurred prior to issuing bonds for bond-financed facilities
- List or schedule of all bond-financed facilities or equipment
- Depreciation schedules for bond-financed depreciable property
- Documentation of any purchase or sale of bond-financed assets

Private Business Use

An issue of qualified 501(c)(3) bonds will lose its tax-exempt status if the issue meets both the private business use test and the private payment/security test. The private business use test will be met if more than 5% of the proceeds of the issue are used for any private business use. Private business use may occur due to a conduit borrower's unrelated trade or business activities, trade or business use by unrelated third parties or the existence of special legal entitlements with respect to the bond-financed property. Each conduit borrow will monitor the use of bond proceeds for compliance with the private business use rules.

Corrective Action

A corrective action may be required if, for example, it is determined that bond proceeds were not properly expended, a conduit borrower is not in compliance with the arbitrage requirements imposed by the Code or a conduit borrower has taken a deliberation action that results in impermissible private business use (e.g., sale of bond-financed property). If the conduit borrower determines or is advised that corrective action is necessary with respect to any issue of its tax-exempt obligations, the Corporation will, cooperate with the conduit borrower, as may be applicable, in a timely manner:

- seek to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2001-60 (or any successor notice thereto)
- take remedial action described under Section 1.141-12 of the Code
- take such other action as recommended by bond counsel

Checklist

A checklist of certain key activities is attached and it is recommended the Borrower review this at least annually.

Adopted by the Capital Industrial Development Corporation on 3/31/15



President

CHECKLIST FOR POST ISSUANCE COMPLIANCE BY
CONDUIT BORROWER

1. Establish separate bank account for bond funds?
Keep records showing:
 - (i) what project were funds spent on
 - (ii) how fast were expenditures made
 - (iii) how were bond funds invested

2. Private business use
Does any private business:
 - (i) lease any part of the project
 - (ii) own any part of the project
 - (iii) manage any part of the project

3. Bond transcript
Do you have a copy of the bond transcript?
All correspondence regarding the bonds?

4. Excess investment yield
Did the bond money (in the separate bank account) earn money at a higher rate of interest than the rate of interest on the bonds? If so, contact bond counsel immediately. The excess earnings may have to be remitted to the United States of America.