

RESOLUTION NO. 1-2018

A RESOLUTION OF THE COUNCIL OF TRAPPE TO ADOPT TAX-EXEMPT OBLIGATIONS ISSUANCE COMPLIANCE PROCEDURES

WHEREAS, in connection with the well replacement, installation of a flow meter and upgrades to a hypochlorite feed system, the Town has authorized and issued tax-exempt bond anticipation notes, which were sold to Shore United Bank, which bond anticipation notes are expected to be refinanced by the issuance of bonds to be sold the United States of America Department of Agriculture, Rural Utilities Service (“USDA”) for a total purchase price of \$1,140,000; and

WHEREAS, the Council has determined that it is desirable and in the public interest to adopt Tax Exempt Obligations Issuance Compliance Procedures in order to ensure post-issuance compliance with the requirements of the Internal Revenue Code of 1986, as amended.

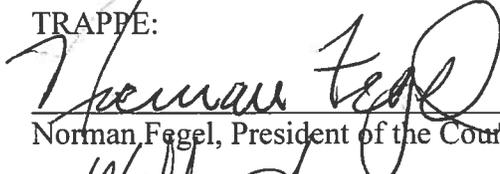
NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE TOWN OF TRAPPE AS FOLLOWS:

Section 1. That the attached document titled “Town of Trappe, Maryland Tax-Exempt Obligations Issuance Compliance Procedures,” which is attached hereto and incorporated by reference herein, be, and is hereby ADOPTED.

Section 2. This Resolution shall become effective immediately.

RESOLVED by the Council of the Town of Trappe on this 7th day of February, 2018.

COUNCIL OF THE TOWN OF
TRAPPE:



Norman Fegel, President of the Council



Walter Chase, Commissioner



Tonya Pritchett, Commissioner

absent

Robert Diefenderfer, Jr., Commissioner



Nicholas Newnam, Commissioner

I hereby certify that the foregoing Resolution 1-2018 of the Town of Trappe was duly read and enacted in accordance with the applicable provisions of the Charter of the Town of Trappe.

Attest: Erin Braband
Erin Braband, Town Administrator-Clerk/Treasurer
Town of Trappe

Town of Trappe, Maryland

Tax-Exempt Obligations Issuance Compliance Procedures

The Town of Trappe, Maryland (the “Town”) adopts the below written procedures in order to ensure post-issuance compliance with requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and to monitor compliance with tax-exempt bonds requirements set forth specifically in Sections 103 and 141-150 of the Code, which such procedures go beyond reliance on the tax certificates included in bond documents provided at closing. Such procedures are established in order to ensure that all nonqualified bonds of an issue of tax-exempt bonds are remediated pursuant to the Code and to detail post-issuance compliance for private business use and arbitrage rebate. The Town’s Tax-Exempt Obligations Issuance Compliance Procedures (these “Procedures”) establish a commitment to timely and completely comply with applicable requirements and proper documentation of such compliance. It is the expectation of the Town that adherence to these Procedures will help to ensure that the Town will meet the Code requirements applicable to tax-exempt obligations.

The advantages of written Procedures are as follows:

- Due diligence review at consistent intervals;
- Identifying and training the officials or employee(s) responsible for review and implementation of the actions described herein;
- Retention of adequate records to substantiate compliance herein;
- Timely identification of noncompliance; and
- Ensuring and demonstrating a commitment to continued compliance with the Code.

I. Responsibilities and Training

A. Responsible Officer: The Clerk-Treasurer (the “Clerk”) of the Town is responsible for drafting, implementing and monitoring these Procedures and incorporating comments from the Town’s legal counsel. The Clerk shall be responsible for federal income tax post-issuance compliance (including, but not limited to, rebate spending exceptions, calculation and payment; investment yield restrictions; tracking of expenditures of bond proceeds; and monitoring of the usage of facilities financed with bond proceeds for private business use; together with any related filings due to the IRS); compliance with financial covenants in the debt documents; and general monitoring of any investments of bond proceeds. The Clerk’s responsibilities include assisting the Town with:

- Engaging, on an as needed basis, an experienced legal counsel in connection with the issuance of tax-exempt obligations and, if appropriate and a financial advisor and a rebate consultant;

- Providing to bond counsel the material facts and reasonable expectations relevant to each issuance of tax-exempt obligations and require that bond counsel prepare a certificate, memorandum or other similar document with respect to each tax-exempt obligation issuance by the Town (the “Tax Certificate”) that identifies the applicable federal tax law requirements and sets forth such material facts and reasonable expectations relevant to such federal tax law requirements; and
- Training and educating of current and new personnel regarding implementation of these Procedures. To the extent deemed necessary or appropriate by the Clerk, the Town will consult with disclosure counsel regarding the training of Town staff about these Procedures and Town disclosure obligations. As a part of the training process, the Clerk shall consult these Procedures and shall consult with legal counsel regarding the requirements applicable to the Town’s obligations.
- Compliance with these Procedures, including where indicated the responsibility of the Town.

II. Financing Transcripts, Filings and Arbitrage Compliance

- A. Required IRS Report:** The Clerk shall confirm the proper filing of a Form 8038 return or such other similar form required by the Internal Revenue Service (the “IRS”) or will monitor the completion and timely filing by its bond counsel of the Form 8038 or such other similar form required by IRS on behalf of the Town. The Form 8038 or such other similar form required by IRS will be filed not later than the date required for such filing. As of the date of these Procedures, the IRS filing deadline for the Form 8038 is the 15th day of the second month after the calendar quarter in which the tax-exempt obligation issuance occurred.
- B. Financing Transcript:** The Town will maintain a transcript of proceedings for each tax-exempt obligation issued by the Town. Each transcript shall be maintained until three (3) years after the tax-exempt obligation it documents (including any future refunding obligation) has been retired. The Financing Transcript will include the following:
- the Tax Certificate, including supporting certifications and analyses,
 - records of refunded bonds, if applicable,
 - correspondence relating to bond financings,
 - copy of the completed Form 8038 or such other similar form required by the IRS, with proof of timely filing,
 - information regarding rebate compliance dates for the tax-exempt obligation issue,
 - copies of rebate compliance analyses and computations, if any,
 - bond proceeds expenditure listing identifying the timing, amounts and purposes of tax-exempt obligation proceeds expenditures,

- bond proceeds investment listing identifying the investment of tax-exempt obligation proceeds prior to their expenditure and the earnings from such investment,
- copy of final bond proceed allocation, showing final amounts and purposes of tax-exempt obligation proceeds expenditures,
- project use listing showing, as applicable, the governmental agency having operational control over any tax-exempt obligation issuance funded project, and/or any entity using any tax-exempt obligation issuance funded project and location of related documentation, such as leases or management contracts, if any,
- a log, if applicable, identifying any change in use of tax-exempt obligation issuance financed projects, including any related supplemental tax certifications or other related documentation,
- financing history log listing significant events relating to the tax-exempt obligation issuance, including early redemption, refunding, defeasance or material modification to the tax-exempt obligation debt instruments or supporting documentation,
- IRS correspondence log, if applicable, listing any correspondence with the IRS with respect to the tax-exempt obligation issue, and
- the Town will review annually each Financing Transcript, and confirm the Town's compliance with these Procedures.

C. Arbitrage: The Town will invest, and, when applicable, yield restrict tax-exempt obligation proceeds in accordance with the applicable Tax Certificate, and timely determine and, when applicable, pay arbitrage rebate liability payments (or payments in lieu of rebate), in accordance with the Tax Certificate.

D. Expenditure and Allocation of Proceeds: The Town will expend, or cause to be expended, tax-exempt obligation proceeds for the projects and purposes stated in the Tax Certificate, or obtain verification by bond counsel that alternative expenditures are in compliance with applicable requirements. The Town acknowledges that a final allocation of proceeds to expenditures must be made no later than 18 months after the later of the date the expenditure is paid or the date such project is placed in service and, in any event, no later than 60 days after the fifth anniversary date of the subject issue of tax-exempt bonds. The Town will timely allocate tax-exempt obligation proceeds to expenditures in accordance with the Tax Certificate and establish and maintain a record of the final expenditure of tax-exempt obligation proceeds, such record to be included in the Financing Transcript.

E. Use of Tax-Exempt Obligation Funded Projects: The Town will use tax-exempt obligation funded projects ("Projects") in accordance with the Tax Certificate, or obtain verification by bond counsel that alternative uses are in compliance with applicable requirements. The Town will establish and maintain a record of the use of the Projects, such record to be included in the Financing Transcript. In connection with the ownership,

use or management of any Projects by another entity, the Town will receive representations and/or agreements from such owner, user or manager that such Projects are and will be used in accordance with the Tax Certificate and that facility will remain a qualified facility while continuously monitoring the use of the Projects. The Town will maintain records of any management contracts and other agreements for the use of the Projects that may result in private use and monitor compliance with Section 141 of the Code and Revenue Procedure 2017-13.

- F. Identification and Remediation of Violations:** The Clerk will ensure compliance with requirements of the Code regarding the proper expenditure of bond proceeds, proper investment of bond proceeds and proper use of the Projects. Upon advice of bond counsel, the Town will timely remediate any violations regarding the proper use of the Projects in accordance with income tax regulations, as applicable, or seek relief under the IRS voluntary compliance agreement program (VCAP) in appropriate circumstances. Each owner, user and manager of the Projects will undertake responsibility for timely notifying the Town upon its discovery of any violation or noncompliance with its representations or certifications.

III. Proper Use of Proceeds

- A. Compliance:** The Town generally shall review and comply with tax-exempt obligation tax compliance requirements set forth in the Tax Certificate and any supporting or supplemental directions prepared by bond counsel.
- B. Authorization:** The Clerk and the Town Attorney shall review the resolution/ordinance authorizing each issuance for each tax-exempt obligation issued by the Town.
- C. Secondary Market Trading Activity, if applicable:** If applicable, prior to the tax-exempt obligation issue date, the Town will review directly or through its financial advisor and bond counsel the records of the secondary market trading activity for the tax-exempt obligation, as applicable, through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) System and consult with its financial advisor and bond counsel regarding issue price and take appropriate actions regarding documenting such information.
- D. Monitor and Timely Expenditure of Bond Proceeds and Rebate Requirements:** The Clerk shall monitor and ensure that all proceeds of each tax-exempt issue are spent within the applicable periods set forth in such Tax Certificate and as referenced in Section II. D. above. The Clerk shall not less than 60 days prior to a required expenditure date confer with bond counsel and a rebate consultant, if applicable, if the Town will fail to meet the applicable temporary period or rebate exception requirements of the applicable Tax Certificate. In the event the Town fails to meet a temporary period or rebate exception the Clerk will:

- i. Procure a timely computation of rebate liability and, if rebate is due, file Form 8038-T and arrange for payment of such rebate liability; and
- ii. Arrange for timely computation and payment of “yield reduction payments” (as such term is defined in the Code and Income Tax Regulations.

IV. Procedures Updates

The Procedures will be reviewed and updated from time to time as needed.

