

WEBSITE INSTRUCTIONS

Relating to the Tax Law Obligations of Recipients of State Revolving Loan Funds
Originated by the Illinois Environmental Protection Agency,
Funded with Proceeds of Tax-Exempt Bonds of the Illinois Finance Authority
And Set Forth in each Recipient’s Tax Compliance Certificate and Agreement

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FORM OF RECIPIENT'S TAX AGREEMENT

INTRODUCTION: RECIPIENT'S TAX LAW OBLIGATIONS UNDER THE LOAN

IN ORDER TO HELP MINIMIZE INTEREST RATES CHARGED IN CONNECTION WITH THE STATE REVOLVING FUND (SRF) PROGRAMS, THE FUNDING FOR THE LOANS IS OBTAINED THROUGH THE ISSUANCE OF FEDERALLY SUBSIDIZED TAX-EXEMPT BONDS BY THE ILLINOIS FINANCE AUTHORITY FOR THE BENEFIT OF THE ILLINOIS ENVIRONMENTAL PROTECTION AGENCY (IEPA OR AGENCY) AND ITS SRF PROGRAMS. SUCH BENEFICIAL FINANCING COMES WITH CERTAIN FEDERAL TAX LAW COMPLIANCE REQUIREMENTS, WHICH ARE SUMMARIZED IN THE ATTACHED TAX AGREEMENT.

THE TAX AGREEMENT IS REQUIRED FOR ALL RECIPIENTS OF SRF LOANS. IT PROVIDES THAT THE RECIPIENT WILL COMPLY WITH ALL APPLICABLE TAX LAW REQUIREMENTS. MANY OF THESE REQUIREMENTS AFFECT RECIPIENTS ONLY UNDER UNUSUAL CIRCUMSTANCES, SUCH AS WHEN A DEBT SERVICE FUND THAT IS NOT DEPLETED AT LEAST ONCE A YEAR IS ESTABLISHED OR ANY PART OF THE PROJECT IS SOLD OR USED IN A PRIVATE BUSINESS USE OR OTHER USE THAT WAS NOT AUTHORIZED WHEN THE LOAN WAS ORIGINATED.

THE "**DATE OF ISSUANCE OF THE BONDS**" REFERRED TO IN THE TAX AGREEMENT IS _____, 2016, OR, FOR LOANS FINANCED FROM PROCEEDS OF BONDS ISSUED AFTER THAT DATE, THE DATE OF ISSUANCE OF THOSE BONDS, AS PROVIDED TO THE RECIPIENT BY THE IEPA.

THE "**WEBSITE INSTRUCTIONS**" REFERRED TO IN THE TAX AGREEMENT MAY BE FOUND AT <http://www.epa.illinois.gov/topics/grants-loans/state-revolving-fund/state-revolving-fund-forms/index>. FOR SPECIFIC QUESTIONS ABOUT THE APPLICATION OF THESE REQUIREMENTS TO THE RECIPIENT'S CIRCUMSTANCES, YOU MAY CONTACT IEPA'S WATER REVOLVING FUND FINANCE MANAGER (FOR PROGRAM MATTERS) OR IFA'S TAX COUNSEL (FOR LEGAL MATTERS):

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TAX COMPLIANCE CERTIFICATE AND AGREEMENT

_____ (the “*Recipient*”) is executing this Tax Compliance Certificate and Agreement (“*Tax Agreement*”) to allow the Illinois Environmental Protection Agency (the “*Agency*”) to fund one or more loans (L17#_____) (the “*Loan*”) to the Recipient with proceeds of tax-exempt bonds.

Section 1. Expectations. The Recipient and the Agency have previously executed or will execute a loan agreement or loan agreements providing that the Agency lend funds to the Recipient to reimburse the Recipient for eligible costs incurred for the Project described therein. This Tax Agreement establishes the expectations and covenants of the Recipient with respect to future events regarding the Loan and the use of Loan proceeds. The Recipient recognizes that the Loan proceeds are derived in whole or in part from the proceeds of tax-exempt bonds. Certain certifications and covenants necessary to preserve the tax-exemption of the bonds are presented here in summary form; additional information is available in the Website Instructions, which are incorporated in this Tax Certificate to the extent relevant to the Project.

Section 2. Internal Revenue Service Audits. The Internal Revenue Service has not contacted the Recipient regarding any bonds or other debt obligations issued by or on behalf of the Recipient in connection with its wastewater or drinking water system and no such obligations are currently under examination by the Internal Revenue Service.

Section 3. Purpose of the Loan. The proceeds of this Loan will be used to finance eligible capital expenditures of the Project, including architectural or engineering costs incurred prior to construction. The Recipient expects to borrow at least 90% of the commitment amount of the Loan and to spend all of the Loan Proceeds on the Project.

Section 4. The Project — Binding Commitment and Timing. The Recipient expects that the work of constructing the Project and the expenditure of Loan proceeds will proceed with due diligence (*i.e.*, without substantial or unnecessary delay) after the Loan is originated. The Recipient expects to draw and spend all of the Loan proceeds no later than the third anniversary of the Date of Issuance of the Bonds (as defined in the Introduction to this Tax Agreement).

Section 5. Reimbursement. None of the proceeds of the Loan will be used to reimburse expenditures actually paid by the Recipient prior to the Date of Issuance of the Bonds (as defined in the Introduction to this Tax Agreement), unless the Recipient has adopted a qualified “official intent resolution” or the expenditures constitute qualified “preliminary expenditures” (see Website Instructions for details).

Section 6. Hedge and Investment Agreements. The Recipient will not enter into any interest rate swap, interest rate cap, futures contract, forward contract, guaranteed investment contract, certificate of deposit, option or similar instrument in connection with the Loan or the proceeds of the Loan unless an exception applies (see Website Instructions).

Section 7. Funds and Accounts. The Recipient will establish and maintain a Repayment Fund, in which all amounts deposited are actually applied to principal and interest payments on the Loan within one year of the deposit date. No other funds pledged to, or expected to be used to pay, the Loan will be maintained by the Recipient. The Loan does not replace any invested

funds of the Recipient that were previously reserved to pay the costs of the Project and the term of the Loan is no longer than 120% of the expected useful life of the Project.

Section 8. Use of Proceeds and Project. None of the Loan proceeds or the Project will be used by any person or entity, other than a state or local government unit, pursuant to any special arrangement that does not include all members of the general public (such as a sale; lease; management, service or output contract; or similar arrangement), unless an exception applies (see Website Instructions). Also, none of the Loan proceeds will be lent to any party other than a state or local government unit.

Section 9. No Sale of the Project. The Recipient will not sell or otherwise dispose of any portion of the Project without prior written approval of the Agency.

Section 10. Purchase of Bonds by Recipient. The Recipient will not purchase any tax-exempt bonds the proceeds of which were, or might have been, used to fund the Loan (if in doubt, contact the Agency).

Section 11. Compliance Procedures. The Recipient will adopt, and periodically monitor its compliance with, written procedures for satisfaction of its covenants hereunder (a form of such procedures that may be adapted to the Recipient's circumstances, is contained in the Website Instructions).

Section 12. Records. The Recipient will keep and retain adequate records to demonstrate compliance with all of the covenants in this Tax Agreement (including the Website Instructions, if applicable), at least until the third anniversary of the payment in full of the Bonds.

Dated: _____, 201__

Name of Authorized Representative

By _____
Authorized Representative Signature

SECTION 1: EXPECTATIONS

General information concerning the federal tax law requirements that apply to governmental bonds (such as the bonds issued to fund the IEPA's SRF loans) may be found in IRS Publication 4079: Tax-Exempt Governmental Bonds (<https://www.irs.gov/pub/irs-pdf/p4079.pdf>). Note, however, that obligations of bond issuers that are described in Publication 4079 but are not contained in the Recipient's Tax Agreement do not apply to the Loan. For any questions regarding the application of Publication 4079 or this Section, contact IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) (contact information contained on page 2 of these Website Instructions).

SECTION 2: INTERNAL REVENUE SERVICE AUDITS

For any questions regarding the application of this Section, contact IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) (contact information contained on page 2 of these Website Instructions).

SECTION 3 PURPOSE OF THE LOAN

For any questions regarding the application of this Section, consult your Loan Agreement or contact IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) (contact information contained on page 2 of these Website Instructions).

SECTION 4: THE PROJECT – BINDING COMMITMENT AND TIMING

For any questions regarding the application of this Section, contact IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) (contact information contained on page 2 of these Website Instructions).

SECTION 5: REIMBURSEMENT

A. Reimbursement Expenditures

Reimbursement Expenditures may be either Current Law Expenditures or Preliminary Expenditures (as defined below) that were paid prior to the Date of Issuance of the Bonds. All reimbursements must be for eligible capital expenditures of the SRF program.

B. Current Law Expenditures

“Current Law Expenditures” are Expenditures that satisfy the following requirements in addition to those in Paragraph A above:

(a) not later than 60 days after payment of any Current Law Expenditures, the Recipient adopted an official intent resolution for the Current Law Expenditures in a reasonable form generally describing the project for which the Current Law Expenditures were paid (or, by name and functional purpose, identifying the fund or account from which the Current Law Expenditures were originally paid) and stating the maximum principal amount of obligations expected to be issued for the Project;

(b) on the date of the Recipient’s declaration of official intent, the Recipient had a reasonable expectation that it would reimburse the Current Law Expenditures with the Loan Proceeds; the official intent was not declared as a matter of course or in an amount substantially in excess of the amounts expected to be necessary for the Project; and the Recipient has not established a pattern of failure to reimburse actual original expenditures covered by official intents (other than in extraordinary circumstances); and

(c) the date that Loan Proceeds are allocated to the Current Law Expenditure is no later than 18 months after the later of (i) the date the Current Law Expenditures were originally paid, or (ii) the date the portion of the Project for which the Recipient is being reimbursed was placed in service or abandoned (but in no event more than three years after the Current Law Expenditures were originally paid).

C. Preliminary Expenditures

“Preliminary Expenditures” are Expenditures that constitute costs for architectural, engineering, surveying or soil testing services, or similar costs that were paid prior to commencement of construction, rehabilitation, or acquisition of the Project (other than land acquisition, site preparation, and similar costs incident to commencement of construction), up to an amount equal to 20% of the Loan amount allocable to the related facility, and that satisfy the requirements in Paragraph A above.

SECTION 6: HEDGE AND INVESTMENT AGREEMENTS

For any questions regarding the application of the prohibition against swaps, caps, futures, options and the like under this Section, contact IEPA'S Water Revolving Fund Finance Manager or IFA's tax counsel (contact information contained on page 2 of these Website Instructions). The following requirements apply to the investment of Loan proceeds in an account other than the Repayment Fund established under the Loan Agreement, in which all amounts deposited are actually applied to principal and interest payments on the Loan within one year of the deposit date (see Section 7 of the Tax Certificate). Note that such investments are also subject to yield restriction and rebate requirements; see, e.g., IRS Publication 4079: Tax-Exempt Governmental Bonds (<https://www.irs.gov/pub/irs-pdf/p4079.pdf>).

Fair Market Value Requirement.

(a) *In General.* Whenever the Recipient shall purchase or sell, or cause any party to purchase or sell, any investment, such purchase or sale shall be made only at the fair market value of such investment. Except as described below, the fair market value of an investment is the price determined by reference to an established securities market for the investment, as of the date on which a contract to purchase or sell the investment becomes binding, at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction. The price shall not be adjusted to take into account "administrative costs" of the investment (within the meaning of Section 1.148-5(e)(1) of the Regulations) except as permitted by Section 1.148-5(e)(2) of the Regulations. The fair market value of a United States Treasury obligation purchased directly from the United States Treasury is its purchase price.

(b) *Guaranteed Investment Contracts and Investments Purchased for a Yield Restricted Defeasance Escrow.* In the case of an investment (I) that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, including an agreement to supply investments on two or more future dates, or (II) that will be deposited into a defeasance escrow that may not be invested at an unrestricted Yield, the fair market value is its purchase price if an employee or agent of the Recipient with responsibility for obtaining such investments delivers a certificate to the Recipient in substantially the form in of the certificate below entitled "Form of Investment Certificate: Recipient Employee or Agent" and the provider of such investments delivers a certificate to the Recipient in substantially the form of the certificate below entitled "Form of Investment Certificate: Provider" and the Recipient shall have no reason to doubt the accuracy or completeness of such certificates. A broker's fee paid by the provider of such an investment is treated as additional investment Yield to the Recipient unless the per-investment and per-issue caps set forth in the Regulations are satisfied.

(c) *Certificates of Deposit.* In the case of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal, the fair market value of the certificate is its purchase price if the Yield on the certificate is not less than (i) the Yield on reasonably comparable direct obligations of the United States, and (ii) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Form of Investment Certificate: Recipient Employee or Agent

For purposes of this Certificate, the following terms have the meanings specified:

Bonds: the Loan

Investment: _____

Recipient: _____

The undersigned hereby certifies as follows:

(A) On behalf of the Recipient, the undersigned made a *bona fide* solicitation for the purchase of the Investment that satisfies all of the following requirements:

(1) The bid specifications were in writing and were timely forwarded to potential providers.

(2) The bid specifications included all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the Investment.

(3) The bid specifications included a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Recipient or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the Recipient or any other person for purposes of satisfying the requirements of paragraph (B) below.

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the Investment.

(5) [For purchases of guaranteed investment contracts only]: The terms of the solicitation take into account the Recipient’s reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) All potential providers had an equal opportunity to bid. For example, no potential provider was given the opportunity to review other bids (*i.e.*, a last look) before providing a bid.

(7) At least three reasonably competitive providers were solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

(B) The bids received by us meet all of the following requirements:

(1) We received at least three bids from providers that we solicited under a *bona fide* solicitation meeting the requirements of paragraph (A) above and that do not have a material financial interest in the Bonds. Any entity acting as a financial advisor with respect to the purchase of the Investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the Bonds. A provider that is a related party to a provider that has a material financial interest in the Bonds is deemed to have a material financial interest in the Bonds.

(2) At least one of the three bids described in the preceding paragraph is from a reasonably competitive provider, within the meaning of paragraph (A)(7) above.

(3) We did not bid to provide the Investment.

(C) The winning bid meets the following requirements:

[Alternative (a) -- Guaranteed investment contracts:] it is the highest yielding *bona fide* bid (determined net of any broker's fees).

[Alternative (b) -- Other investments:]

(1) The winning bid is the lowest cost *bona fide* bid (including any broker's fees). The lowest cost bid is either the lowest cost bid for the portfolio or the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the Recipient from a provider at the time a guaranteed investment contract is purchased (*e.g.*, an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure meeting the requirements of the Arbitrage Regulations is taken into account in determining the lowest cost bid.

(2) The lowest cost *bona fide* bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities was determined at the time that bids were required to be submitted pursuant to the terms of the bid specifications. Note: [This paragraph may be omitted if SLGS are not available on the date of the bid deadline; see Regs. §1.148-5/d/6/iii/C/2/iii.]

(D) Attached to this Certificate are copies of the following:

(1) [For guaranteed investment contracts:] The contract. [For other Investments:] The purchase agreement or confirmation.

(2) The receipt for the amount actually paid by the Recipient, including a record of any administrative costs (such as our fees) paid by the Recipient.

(3) A chart showing for each bid received: the name of the person and entity submitting the bid, the time and date of the bid and the bid results.

(4) The bid solicitation form, including a statement explaining any deviation by the Investment from the form. [See Regs. §1.148-5/d/6/iii/E/4 if there is any deviation from the form.]

(5) [For an escrow portfolio:] An analysis showing the cost of the most efficient SLGS portfolio as of the deadline for submitting bids under the bid solicitation.

Dated: _____

[RECIPIENT/AGENT]

By _____
Its _____

Form of Investment Certificate: Provider

For purposes of this Certificate, the following terms have the meanings specified:

Bonds: the Loan

Investment: _____

Recipient: _____

The undersigned is providing the Investment to the Recipient with respect to the Bonds following submission of our bid in response to a written solicitation received by us relating to the Investment.

In connection with our bid to provide the Investment, we certify that we did not consult with any other potential provider about its bid, our bid was determined without regard to any other formal or informal agreement that we may have with the Recipient or any other person (whether or not in connection with the Bonds), and the bid was not submitted solely as a courtesy to the Recipient or any other person for purposes of satisfying the requirements of the arbitrage regulations.

We further certify that the administrative costs paid or expected to be paid by us to third parties in connection with supplying the Investment are as follows:

Amount	Payee
_____	_____

[We further certify that we do not have a material financial interest in the Bonds and we are not a related party to any entity with such an interest.]

Finally, we acknowledge receipt on this date of \$_____ as the purchase price for the Investment.

Dated: _____

[PROVIDER]

By _____
Its _____

SECTION 7: FUNDS AND ACCOUNTS

Standards for Calculating Useful Life of Project

(a) for structures, original reasonably expected economic life is as set forth in *Revenue Procedure 62-21*, 1962-2 C.B. 418; for assets other than structures, original reasonably expected economic life is equal to the applicable midpoint lives under the ADR system; in all cases, longer useful lives may be used if, on the basis of the facts and circumstances, the economic lives to the Recipient are greater than the lives established under the foregoing administrative guidelines;

(b) the cost of any land is disregarded if less than 25% of the proceeds of the Bonds is to be used for such purpose;

(c) if 25% or more of the proceeds of the Loan is to be used to finance land, such land shall be treated as having an original economic life of 30 years; and

(d) for property placed in service prior to the date hereof, only the remaining economic life as of the date hereof is taken into account.

SECTION 8: USE OF PROCEEDS AND PROJECT

The following rules govern for purposes of applying the Use of Proceeds and Project requirements in the Tax Agreement; a more complete statement of the rules is contained in Treasury Regulations Sections 1.141-0 through 1.141-15 and IRS Revenue Procedures 97-13, as amplified by Notice 2014-67, and 2007-47, as appropriate:

A. General Rules

1. None of the Loan Proceeds may be used directly or indirectly in the trade or business of any Nongovernmental Person (see “Private Business Use Test” below) *unless* none of the principal or interest on the Loan is (a) secured directly or indirectly by any interest in or payment in respect of the property or borrowed money used, or to be used, in such nongovernmental trade or business, *or* (b) to be derived from payments (whether or not to the Recipient) in respect of property, or borrowed money, used or to be used for a private business use (see “Private Security or Payment Test” below). In addition, none of the Proceeds may be used to make loans to Nongovernmental Persons (see “Private Loan Financing Test” below). In all of the foregoing cases, such use may be permitted to the extent approved by the Agency.
2. Whenever the Recipient states that it “reasonably expects” or “expects” something to occur or not to occur, the statement refers to the Recipient’s reasonable expectations concerning events and actions over the entire stated term of the Loan. If an unexpected event or action that would cause the Recipient to violate the covenants under the Tax Agreement an appropriate remedial action under Regs. §1.141-12 may need to be taken.
3. All governmental units and 501(c)(3) Organizations that are members of the same Controlled Group are treated as one person and all persons and entities other than governmental units and 501(c)(3) Organizations that are related within the meaning of Section 144(a)(3) of the Code are treated as one person.

B. Private Business Use Test

1. Any activity carried on by a Nongovernmental Person that is not a natural person, and any trade or business activity carried on by any person, is treated as private business use.
2. Any use of the Project pursuant to a special legal entitlement conferred on a Nongovernmental Person, such as an ownership interest, a lease, a management or incentive payment contract, certain research agreements or a take or pay or other output-type contract, is a private business use unless an exception applies.
3. If the Project is not available for use by the general public, private business use may be established solely on the basis of a special economic benefit conferred on

one or more Nongovernmental Persons, even if those Nongovernmental Persons have no special legal entitlements to use of the Project.

4. Use by an agent of the Recipient, use incidental to certain financing arrangements, use pursuant to a contract encompassing fewer than 200 days, temporary use by a developer, certain incidental uses (such as telephone booths) and certain qualified improvements are not treated as private business use if the conditions set forth in Regs. §1.141-3(d) are satisfied.
5. A management, service or incentive payment contract with a Nongovernmental Person with respect to a bond-financed facility gives rise to private business use unless:
 - (a) The services are incidental to the primary function of the facility (such as janitorial, equipment repair and billing services); *or*
 - (b) The contract grants admitting privileges to a doctor on an equal basis with other qualified doctors; *or*
 - (c) The contract is for the operation of public utility property and limits compensation to reimbursement for the service provider's expenses (including overhead); *or*
 - (d) The contract is for the provision of services and limits compensation to reimbursement for the service provider's expenses (not including overhead); *or*
 - (e) The contract contains all of the following features:
 - (i) The service provider receives not more than reasonable compensation for services rendered and reimbursement for expenses; *and*
 - (ii) The service provider is not compensated (in whole or in part) on the basis of a share of net profits derived from the facility; *and*
 - (iii) Not more than 20% of the voting power of the governing body of the Recipient is vested in the service provider and its directors, officers, shareholders and employees, and any overlapping board members do not include the chief executive officers of the service provider or the Recipient; *and*
 - (iv) The Recipient and the service provider are not related persons; *and*
 - (v) The maximum contract terms – including renewal options that cannot be vetoed at the Recipient's discretion – are as set forth in the table below for the applicable type of compensation shown (CPI and

similar adjustments are permitted as are certain incentive and productivity rewards; mid-term cancelation at the Recipient's option is not required):

Type of Compensation	Maximum Term
95% periodic fixed fee	Lesser of (i) 80% of project useful life and (ii) 15 years (20 years in the case of certain public utility property)
80% periodic fixed fee	Lesser of (i) 80% of project useful life and (ii) 10 years (20 years in the case of certain public utility property)
Any combination of a stated amount; periodic fixed fee; capitation fee; per-unit fee; or percentage of gross revenues, adjusted gross revenues or expenses of the facility (but not both revenues and expenses)	5 years

C. Private Security or Payment Test

1. The security for, and payment of debt service on, the Loan is determined from both the terms of the Bond documents and on the basis of any underlying arrangement between the Recipient and a Nongovernmental Person.
2. Generally applicable taxes are not treated as private business payments as long as such taxes are not in the nature of fees for goods or services, have a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction and have a generally applicable manner of determination and collection.

D. Private Loan Financing Test

1. Any transaction that is generally characterized as a loan for Federal income tax purposes is a loan for purposes of the Private Loan Financing Test. In addition, a loan may arise from the direct lending of Proceeds or may arise from transactions in which indirect benefits that are the economic equivalent of a loan are conveyed.
2. In determining whether the Proceeds are used to make or finance loans, indirect, as well as direct, use of the Proceeds is taken into account, without discounting the amount loaned to reflect the present value of the loan repayments.

SECTION 9: NO SALE OF THE PROJECT

For any questions regarding the application of this Section, contact IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) (contact information contained on page 2 of these Website Instructions).

SECTION 10: PURCHASE OF BONDS BY RECIPIENT

For any questions regarding the application of this Section, contact IEPA'S Water Revolving Fund Finance Manager or IFA's tax counsel (contact information contained on page 2 of these Website Instructions).

SECTION 11: COMPLIANCE PROCEDURES

POST-BOND ISSUANCE COMPLIANCE CHECKLIST

**Illinois Finance Authority
State of Illinois Clean Water Initiative
Revolving Fund Revenue Bonds, Series 2016**

Date of Issuance: _____, 2016

Procedures Dated: _____, 201_

ARTICLE I. PROCEDURES FOR POST-BOND ISSUANCE COMPLIANCE

These “Procedures for Post-Bond Issuance Compliance” (the “Procedures”) have been adopted by the Recipient (as defined herein), as general guidelines for the purpose of ensuring compliance with the applicable Federal laws and Regulations in relation to the State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (the “Bonds”), the proceeds of which have been applied, in part, to make a loan to the Recipient (the “Loan”), including, but not limited to Sections 141, 148 and 149 of the Code.

ARTICLE II. OFFICIAL RESPONSIBLE FOR REVIEW

The Recipient hereby identifies _____ (the “Designee”) as the individual responsible for implementing the Procedures and ensuring post-issuance compliance for the Loan.

The Designee shall implement the Procedures in conjunction with the Recipient’s Tax Compliance Certificate and Agreement for the Loan (the “Tax Certificate”); shall be responsible for performing all other actions necessary to ensure post-issuance compliance; and shall periodically consult with IEPA’S Water Revolving Fund Finance Manager (for program matters) or IFA’s tax counsel (for legal matters) (contact information contained on page 2 of the Website Instructions) to determine whether there are any changes in the laws or the interpretation of the laws applicable to the Loan. The Designee may delegate responsibility for certain portions of these Procedures and adopt additional procedures for the purpose of complying with all pertinent provisions of the Code and the Regulations. Changes to the Procedures and the Tax Certificate may be made in consultation with IEPA’S Water Revolving Fund Finance Manager (for program matters) or IFA’s tax counsel (for legal matters).

ARTICLE III. DEFINITIONS

Capitalized terms used herein have the meanings set forth in the Tax Certificate, including the Website Instructions thereto. Other words and phrases used herein have the same meanings as in the Code, the Regulations, and the Tax Certificate unless another meaning is apparent from the context.

ARTICLE IV. PRIVATE USES, PAYMENTS AND SECURITY INTERESTS, TIMELY IDENTIFICATION OF CHANGE IN USE AND OTHER NON-COMPLIANCE; AND PROCEDURES FOR REMEDIAL ACTION

Section 4.1 During the period that the Loan remains outstanding the Designee will monitor and keep a record of any Private Business uses, payments and security interests in relation to the Project to ensure that there is no such arrangement with a private entity (which includes the federal government) beyond the permitted amount. Examples of transactions which the IRS will deem result in Private Business uses, payments or security interests include, but are not limited to:

- sale of Project to a non-qualifying entity;
- lease of Project to a non-qualifying entity;
- non-qualified management contract under Rev. Proc. 97-13;
- special legal entitlement to the Project given to a Nongovernmental Person;
- debt service on the Loan derived, directly or indirectly, from payments (whether or not to the Recipient) in respect of property, or borrowed money, used or to be used by any Nongovernmental Person in its trade or business;
- debt service on the Loan secured, directly or indirectly, by any interest in property used or to be used by a Nongovernmental Person in its trade or business or by any interest in payments in respect of such property; and
- proceeds of the Loan used (directly or indirectly) to make or finance loans (or any arrangement treated as the economic equivalent of a loan under Federal income tax principles) to Nongovernmental Persons.

Section 4.2 The Designee shall maintain up-to-date records of any and all Private Business uses, payments or security interests related to the Project in order to monitor the percentage of such arrangements related to the Project and ensure that they do not exceed the permitted amount.

Section 4.3 Once the Designee is notified that the Recipient is contemplating entering into any transaction or agreement related to a Project, the Designee shall collect all the pertinent information regarding the nature of the transaction and the entities involved and promptly notify IEPA'S Water Revolving Fund Finance Manager of the proposed transaction. The Designee shall collaborate with IEPA in order to ensure that the Recipient remains compliant with applicable provisions of the Code relating to the applicable Bonds and does not result in excessive Private Business Use of a Project or a "change in use" of a Project.

Section 4.4 The Designee shall notify the Recipient and consult with IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) immediately if in the Designee's knowledge, any facts or circumstances arise which indicate that any of the applicable Code or Regulation provisions have been violated.

Section 4.5 In the event that IEPA determines that the Recipient must engage in a remedial action pursuant to the provisions of the Code, the Designee shall take the necessary actions to ensure that the Loan shall be remediated in accordance with the requirements of Treas. Reg. Sec. 1.141-12 as follows:

(a) The Designee shall act with due diligence to determine or cause to be determined, the proper form of remedial action under the Code.

The Designee shall provide IEPA with all of the documentation and information required for the remedial action.

The Designee shall maintain records of all documentation related to any remedial action taken in relation to the Bonds.

ARTICLE V. TRAINING OF RECIPIENT OFFICIALS AND EMPLOYEES

Section 5.1 The Designee will determine as soon as reasonably practicable after the date of adoption of these Procedures the need for any education or training with respect to these Procedures. The Designee will consult with IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) as necessary and will ensure that the appropriate education is provided to the appropriate employees as needed. As new employees under the supervision of the current Designee or successor Designees are given responsibilities to implement any of the procedures or responsibilities described in these Procedures, such employees or Designee will receive training with respect to applicable Loan requirements. The Designee will consult with IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) as necessary to ensure that the appropriate training and education are provided to the identified employees as needed.

Section 5.2 In the event the Designee becomes aware of changes in the law governing the Loan requirements, the Designee will consult with IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters) as necessary to ensure that appropriate officials and employees are promptly informed of such changes as necessary.

ARTICLE VI. RETENTION OF ADEQUATE RECORDS

The Designee will maintain all documentation related to the Loan. Said documentation with respect to the Loan includes but is not limited to documentation relating to the Loan application and origination; changes in any Loan terms; records showing how Loan Proceeds are spent; investment agreements and earnings related to the Loan Proceeds; Arbitrage Rebate reports; counsel opinions; and all contracts relating to the use of the Project. These records are to be maintained for the life of the Loan and up to three (3) years after the date of retirement of the bonds that funded the Loan.

ARTICLE VII. PROCEEDS OUTSTANDING OR CERTAIN DEDICATED FUNDS

Section 7.1 The Designee shall monitor all payments made with the Loan Proceeds and keep detailed records of all expenditures of the Loan Proceeds. The Designee shall maintain detailed books and records showing allocations of specific Loan Proceeds to specific expenditures consistent with the purposes of the Code and shall keep said records until at least the fifth anniversary of the retirement of the Bonds and any related refunding bonds.

Section 7.2 If, at any time, the Recipient shall maintain an account relating to the Loan other than the Repayment Fund established under the Loan Agreement, the Designee shall

comply with the arbitrage rebate determination and payment procedures as instructed by IEPA'S Water Revolving Fund Finance Manager (for program matters) or IFA's tax counsel (for legal matters).

IN WITNESS WHEREOF, the undersigned have hereunto subscribed their official signature as of the Date of Issue.

RECIPIENT

By: _____
Authorized Officer

By: _____
Designee

SECTION 12: RECORDS

For any questions regarding the application of this Section, consult IRS Publication 4079: Tax-Exempt Governmental Bonds (<https://www.irs.gov/pub/irs-pdf/p4079.pdf>) or contact IEPA'S Water Revolving Fund Finance Manager or IFA's tax counsel (contact information contained on page 2 of these Website Instructions).