

TOWN OF NEW HARTFORD
Tax-Exempt Governmental Bonds
Tax Compliance Guidelines

Dated: July 18, 2012

I. Purpose

These guidelines (the "Guidelines") are adopted by the Town of New Hartford (the "Issuer") to ensure that interest on tax-exempt governmental bonds of the Issuer (the "Bonds") remains excludable from gross income under Section 103 of the Internal Revenue Code of 1986 (the "Code"). The Guidelines are intended to formally memorialize certain procedures of the Issuer previously adopted or followed in connection with its issuance of the Bonds.

In order to ensure continued compliance with requirements of the Code and the applicable regulations (the "Applicable Federal Tax Law") associated with the issuance of Bonds, the Issuer will consult with counsel nationally recognized in the area of municipal finance ("Bond Counsel"), in advance, regarding deviations from the facts and expectations set forth in the closing certifications relating to any issue of Bonds.

If as a result of changes to the Applicable Federal Tax Law or the New York State Local Finance Law these Guidelines are in conflict with such laws, the Issuer will consult with Bond Counsel regarding the proper course of action, including amending these Guidelines.

II. Ongoing Relationship with Outside Advisors

The Issuer maintains an ongoing relationship with Bond Counsel and other advisors to serve as a resource for education and advice regarding the Bonds' compliance with Applicable Federal Tax Law.

III. Persons Responsible for Tax Compliance

The Chief Fiscal Officer of the Issuer (the "Designated Tax Compliance Official") is the primary person to consult with Bond Counsel and other advisors on a continual basis for the entire term of the Bonds.

In general, the Designated Tax Compliance Official has the primary responsibility to ensure compliance with the Applicable Federal Tax Law relating to all Bonds. As described in these Guidelines, such compliance relates to the expenditure and investment of proceeds of Bonds ("Bond Proceeds"), the use or sale of the assets financed or refinanced with Bond Proceeds (the "Bond-financed Assets"), record-keeping and filing requirements. The Designated Tax Compliance Official or his or her designee shall review the tax document signed by the Issuer that outlines the Applicable Federal Tax Law affecting the Bonds (the "Arbitrage Certificate"). The Arbitrage Certificate is included as part of the closing documents for the Bonds.

IV. Expenditures of Bond Proceeds

A. Expenditure of New Money Bond Proceeds - In General.

Except as provided in Section IV. B. of these Guidelines with respect to tax or revenue bond anticipation notes ("TANs"), upon the issuance of any issue of new money Bonds, the Issuer must reasonably expect to spend at least 85% of all Bond Proceeds that are expected to be used to finance capital improvements (excluding proceeds in a reserve fund or for any non-project purpose) within 3 years of issuance. Other limitations or adjustments may be set out in the Arbitrage Certificate. The Issuer must also have incurred or reasonably expect to incur, within six months after issuance of the Bonds, binding obligations to unrelated parties involving an expenditure of not less than 5% of such amount of Bond Proceeds, and that completion of the capital improvements and allocations of Bond Proceeds to costs proceed with due diligence. Meeting all these requirements will allow the Issuer to invest project-related Bond Proceeds at an unrestricted investment yield for three years from the date of issue. See Section VII of these Guidelines for rebate and rebate exceptions.

B. Expenditure of TAN Proceeds

TANs issued to finance working capital expenditures may be invested at an unrestricted investment yield for up to 13 months provided that the Issuer expects to spend the proceeds within such time period. See Section VII of these Guidelines for rebate and rebate exceptions. In general, proceeds of TANs ("TAN Proceeds" together with the Bond Proceeds or "Proceeds") used to pay working capital expenditures are treated as expended only to the extent that the Issuer has no "Available Amounts" (as hereinafter defined), as of the date such payment is made. For this purpose, Available Amounts means any amount (other than TAN Proceeds) available to the Issuer for working capital expenditures without a legislative or judicial action that such amounts be reimbursed or repaid.

C. Assignment of Responsibility and Establishment of Calendar

On the date of issuance of any Bond, the Designated Tax Compliance Official or his or her designee will identify for that Bond issue:

- The funds and/or accounts into which Proceeds are deposited.
- The types of expenditures expected to be made with the Proceeds deposited into those funds and/or accounts and any expenditures prohibited from being made from such funds and/or accounts.
- The dates by which Proceeds described in Section IV. A. or IV. B. of these Guidelines must be spent or become subject to arbitrage yield limitations ("Expenditure Deadlines") and all interim dates by which funds and/or accounts must be checked to ensure compliance with the applicable Expenditure Deadlines.

D. Expenditure Failures

If the Designated Tax Compliance Official discovers that an Expenditure Deadline has not been met, said person will consult with Bond Counsel to determine the appropriate course of action with respect to such unspent Proceeds. Special action may need to be taken with such unspent Proceeds, including yield restriction, or redemption of Bonds.

E. Final Allocation

1. In General

Requests for expenditures will be summarized in a final allocation of Proceeds ("Final Allocation") in a manner consistent with allocations made to determine compliance with arbitrage yield restriction and rebate requirements (See Section VII of these Guidelines). Except as provided in Section IV. E. 2. of these Guidelines with respect to TANs, the Final Allocation will memorialize the assets or portion thereof financed with Bond Proceeds and the assets or portion thereof financed with other funds.

The Final Allocation must occur not later than 18 months after the date of the expenditure or 18 months after the date the facility to which the expenditure relates is completed and actually operating at substantially the level for which it was designed but in all events not later than 60 days after the end of the fifth year after issuance of the Bonds (or 60 days after none of the Bonds are outstanding, if earlier).

The Designated Tax Compliance Official or his or her designee will be responsible for ensuring that such Final Allocation is made for the Bonds.

2. Final Allocation for TANs

With respect to issues of TANS, the Issuer will summarize the information with respect to its expenditure of TAN Proceeds as well as the monthly balances maintained in any funds of the Issuer available to pay working capital expenditures during the period TAN Proceeds were expended ("TAN Final Allocation"). Such TAN Final Allocation should be made not later than 18 months after the date of final expenditure of such TAN Proceeds.

F. Records of Expenditures

The Designated Tax Compliance Official or his or her designee is responsible for maintaining records related to the expenditure of Bond Proceeds including records:

- Identifying all of the assets or portion of assets financed with Bond Proceeds.
- Relating to requests for Bond Proceeds, construction contracts, purchase orders, invoices, and payment records.
- Relating to costs reimbursed with Bond Proceeds.
- Relating to any action taken as a result of a failure to meet the Expenditure Deadlines.

- The Final Allocation and all supporting documentation.

Such records will be retained for the life of the Bonds and TANs, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

V. Project Use Requirements

A. In General

Bond Proceeds are subject to certain Private Business Use (as hereinafter defined) and Private Loan (as hereinafter defined) limitations as further provided in the Arbitrage Certificate. Generally, the amount of Private Business Use a Bond issue may finance is limited to the lesser of 10% of the Bond Proceeds or \$15 million. However, the 10% Private Business Use limit is reduced to 5% to the extent that such Private Business Use is either not related or disproportionate to the governmental purpose of the issue. For this purpose "Private Business Use" generally means use of the Bond-financed Asset in a trade or business (e.g., use by a corporation, partnership, 501(c)(3) organization or the Federal government). Private Business Use does not include use of the Bond-financed Asset by the Issuer or by another state or local governmental unit or use of the Bond-financed Asset by the general public free of charge or pursuant to uniformly applied rates. Private Business Use will arise from the lease or sale of the Bond-financed Assets. Private Business Use will generally arise through a contract whereby a non-State or local government unit manages, operates or provides services with respect to Bond-financed Assets (a "Management Contract"). A contract with a food service provider to operate a school cafeteria is treated as a Management Contract for purposes of determining whether there is Private Business Use of a Bond-financed school. Management Contracts that meet certain requirements described in IRS Revenue Procedure 97-13 relating to the duration of such Management Contracts and the manner in which the non-governmental person is compensated, are treated as not giving rise to Private Business Use (the "97-13 Safe Harbors"). No more than the lesser of 5% or \$5 million of the Bond Proceeds of an issue may be used to make a loan (a "Private Loan") or loans to non-State or local governmental persons.

B. Monitoring of Private Business Use

For each Bond-financed Asset, the Designated Tax Compliance Official or his or her designee will determine the expected use of such asset and whether such Bond-financed Asset is or will be subject to any contracts that may give rise to Private Business Use or a Private Loan.

The Designated Tax Compliance Official or his or her designee will inform the persons responsible for the management and operation of the Bond-financed Asset ("Asset Managers") of the Private Business Use and Private Loan restrictions relating to the Bond-financed Asset.

The Designated Tax Compliance Official or his or her designee will require Asset Managers to submit any Management Contract with respect to any portion of Bond-financed Assets for his or her review prior to entering such Management Contract. The Designated Tax Compliance Official or his or her designee will forward such Management Contract to Bond Counsel or to other capable advisors to determine whether such Management Contract complies with the 97-13 Safe Harbors.

No Bond-financed Asset will be sold, leased or transferred by the Asset Managers without prior approval by Bond Counsel and the Designated Tax Compliance Official.

The Designated Tax Compliance Official or his or her designee will meet at least annually with Asset Managers to identify and discuss any existing or planned use of Bond-financed Assets that may give rise to Private Business Use or a Private Loan of Bond-financed Assets.

C. Consultation with Outside Advisors

The Issuer acknowledges that certain refinements, interpretations and exceptions apply to the analysis of Private Business Use and Private Loans and Bond Counsel and other qualified advisers should be engaged and consulted to review contracts or other information relating to such use of Bond-financed Assets. In addition, the Final Allocation of Bond Proceeds (see subsection IV. D above) may affect the Private Business Use or Private Loan determination.

D. Identification and Correction of Violations

In the event the use of Bond Proceeds or Bond-financed Assets is different from the covenants and representations set forth in the Arbitrage Certificate, the Issuer should contact Bond Counsel in a timely manner to ensure that there is no adverse effect on the tax status of the Bonds. Various remedies are available to the Issuer in the event of certain violations on the limits of use of Bond Proceeds, the investment of Bond Proceeds, and the use of the Bond-financed Assets. For example, a change in the use of the Bond-financed Assets after the issuance of the Bonds that results in excessive Private Business Use may be corrected through a 'remedial action' that is described in the Treasury Regulations. Such remedial actions include a defeasance of the portion of the Bonds affected by the excessive Private Business Use. Other actions (or inaction) that potentially adversely affect the status of the Bonds may be corrected through the Voluntary Closing Agreement Program described in IRS Notice 2008-31.

E. Record Keeping Requirements

The Designated Tax Compliance Official or his or her designee will keep copies of all contracts and arrangements involving the lease, management, sale, operation, service or other use of all Bond-financed Assets. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

VI. Investment of Proceeds

A. In General

On the date of issue of any Bond or TAN, the Designated Tax Compliance Official or his or her designee will identify for that obligation:

- All of the funds and/or accounts into which Proceeds are deposited and the applicable yields at or below which such funds and/or accounts must be invested.
- Any funds and/or accounts that are not directly funded with Proceeds which must be invested at or below the yield on the obligations.

The Designated Tax Compliance Official or his or her designee will ensure that the investment of Proceeds is in compliance with the applicable yield restrictions contained in the Treasury Regulations.

The Designated Tax Compliance Official or his or her designee will obtain regular, periodic (monthly) statements regarding the investments and transactions involving Proceeds.

The Designated Tax Compliance Official or his or her designee will keep all records with respect to investments, including:

- United States Treasury Securities-State and Local Government Series (“SLGs”) subscription information.
- The solicitation and all responses received from the bidding of any Government Obligations.
- Records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

B. Investment of Proceeds of Advance Refunding Bonds

All proceeds of advance refunding Bonds will initially be invested in SLGs unless SLGs are not available for purchase at the time such advance refunding bonds are issued. If SLGs are not available for purchase the proceeds of such Bonds may be invested in direct obligations of the United States of America or obligations the principal and interest on which are unconditionally guaranteed by the United States of America which shall not be callable at the option of the issuer thereof (“Government Obligations”) provided that the Issuer satisfy the safe harbor requirements for determining fair market value for investments within the meaning of the Treasury Regulations or such investment is otherwise approved by Bond Counsel.

Any proceeds of advance refunding bonds that are required to be invested after the issue date of such advance refunding bonds are to be invested in SLGs bearing interest at a

rate of zero percent (0%) per annum (the "Zero SLGs"). If Zero SLGs are not available for purchase the proceeds of such Bonds may be invested in Government Obligations provided that the Issuer satisfy the safe harbor requirements for determining fair market value for investments within the meaning of the Treasury Regulations or Bond Counsel determines that such investment will not in and of itself adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

VII. Arbitrage Yield and Rebate

A. In General

The Designated Tax Compliance Official or his or her designee will be responsible for the calculation of rebate on a prompt basis. In order to assist in such calculation, the Designated Tax Compliance Official may engage the services of an arbitrage rebate services provider. In the event that an arbitrage rebate service provider is engaged, statements regarding investments and transactions involving Bond Proceeds and other requested documents and information should be timely provided to the arbitrage rebate service provider

The Designated Tax Compliance Official will assure compliance with required rebate payments, if any, or, if a rebate service provided is engaged, monitor the arbitrage rebate service provider to assure compliance with required rebate payments, if any. Any arbitrage rebate payments need to be paid no later than the fifth year after issuance and each 5-year period thereafter through the term of the Bonds. A final rebate payment must be made within 60 days of the final maturity or redemption date of the issue. The Arbitrage Certificate or tax covenants in other documents may set forth how frequently rebate calculations must be performed.

During the construction period of a capital project, the investment and expenditure of Bond Proceeds are to be monitored and, if applicable, the arbitrage rebate service provider consulted, to determine whether the Issuer is meeting any spending exception. Available spending exceptions are in periods of 6 months, 18 months and 2 years (for construction only), with the 18-month and 2-year exception subject to 6-month internal benchmarks. See the Arbitrage Certificate for more details regarding the spending exceptions.

In the event that a rebate payment is due, the Designated Tax Compliance Official or his or her designee will ensure that such rebate payment is accompanied by a Form 8038-T.

The Designated Tax Compliance Official or his or her designee will retain copies of all arbitrage reports, related return filings with the Internal Revenue Service, and copies of cancelled checks with respect to any rebate payments and information statements. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

B. Rebate Monitoring with respect to TANs

The Designated Tax Compliance Official or his or her designee will monitor the balance in any funds available to pay for working capital expenditures to determine whether the Proceeds of any issue of TANs will be treated as spent within six months of the date such TANs were issued. For this purpose the proceeds of any issue of TANs will be treated as spent using one of the following two accounting methods, both of which are applied by treating available amounts as spent before TAN Proceeds. Under the first method, all of the TAN Proceeds will be treated as spent on first day that the cumulative cash flow deficit in available amounts exceeds 90% of the TAN Proceeds. Under the second method, TAN proceeds will be treated as spent if 100% of such Proceeds are spent subject to the retention of a reasonable working capital reserve generally equal to the lesser of: (i) 5 percent (5%) of the Issuer's immediately preceding fiscal year's expenditures (whether working capital expenditures or capital expenditures) paid out of current revenues, (ii) the average of the beginning or ending monthly balances of the amount maintained by the Issuer as a working capital reserve during annual period of at least one year, the last of which ends within one year of date the TANs were issued, or (iii) as otherwise advised by Bond Counsel.

If all of the TAN Proceeds are not treated as spent within 6 months of date the TANs were issued using one of the two methods described above, the Designated Tax Compliance Official or his or her designee will contact Bond Counsel for advice regarding any required rebate calculations or payments to the Internal Revenue Service.

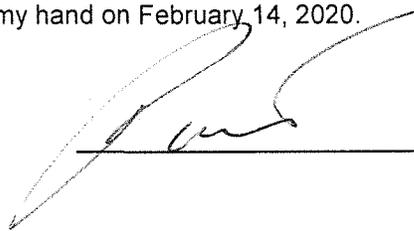
"QUALIFIED TAX-EXEMPT OBLIGATION" DESIGNATION CERTIFICATE

\$3,291,762 BOND ANTICIPATION NOTE, 2020

I, the undersigned Supervisor of the Town of New Hartford, Oneida County, New York (the "Issuer") do hereby:

- 1) certify that I am responsible, with others, for issuing the above mentioned note of the Issuer;
- 2) designate such note as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (the "Code"); and
- 3) certify, in furtherance of the aforesaid designation, that (a) the amount of "qualified tax-exempt obligation", within the meaning of Section 265(b)(3) of the Code, which are reasonably anticipated to be issued by the Issuer, including issues of all governmental entities subordinate to the Issuer, if any, during the current calendar year does not exceed \$10,000,000; and (b) the sum of the principal amount of the note and the principal amount of any other tax-exempt obligations heretofore issued by the Issuer during the current calendar year, does not exceed \$10,000,000.

IN WITNESS WHEREOF, I have hereunto set my hand on February 14, 2020.



Supervisor