

## DISCLOSURE

This “Tax-Exempt Bond Post-Issuance Management Practices and Procedures” document is presented for illustrative purposes only and should not be relied upon as being comprehensive or conclusive for any particular bond issue or issues. Each bond issue differs from each other bond issue in one or more ways, therefore any set of policies and procedures should be tailored to each specific issue of tax-exempt debt. You would be well advised to consult with bond or other counsel with expertise in tax-exempt debt and tax matters related thereto in crafting a set of policies and procedures applicable to your particular set of circumstances.

**[BORROWER]**  
**TAX-EXEMPT BOND POST-ISSUANCE COMPLIANCE**  
**MANAGEMENT PRACTICES AND PROCEDURES**  
**[Date]**

**INTRODUCTION**

The North Carolina Medical Care Commission (the “Issuer”) has issued one or more tax-exempt bond issues for the benefit of \_\_\_\_\_ (the “Borrower”) that are outstanding.

Set forth below are the management practices and procedures that the Borrower has adopted [**Drafting Note: The Borrower should consider how these practices and procedures are to be adopted, e.g., board resolution, approval by the CEO, approval by the CFO, etc.**] as of the date set forth above to ensure the post-issuance compliance of its tax-exempt bond liabilities.<sup>1</sup>

**BOND COMPLIANCE OFFICER**

***Identification***

The Borrower’s [chief financial officer/\_\_\_\_\_] shall have day-to-day responsibility for implementation of these practices and procedures and is referred to in these practices and procedures as the “Bond Compliance Officer.” [The Borrower’s chief financial officer shall have ultimate responsibility for implementation of these practices and procedures and shall supervise the Bond Compliance Officer.]

In the event of a change in the Bond Compliance Officer, the outgoing Bond Compliance Officer and the Borrower’s [chief financial officer/chief executive officer] shall be responsible for transferring responsibility for these practices and procedures and records to be retained to the new Bond Compliance Officer.

***Training***

Promptly after becoming the Bond Compliance Officer, the Bond Compliance Officer will consult with bond counsel regarding and obtain training necessary to implement these practices and procedures and monitor compliance. The Bond Compliance Officer will consult with bond counsel periodically regarding and obtain any further training necessary to implement these practices and procedures and monitor compliance.

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<sup>1</sup> The adoption of these policies and procedures will be reported on line 7 of Part III of Schedule K to the Borrower’s Form 990. These practices and procedures relate only to federal bond tax compliance. They do not address compliance with non-tax covenants and agreements of the Borrower with respect to its outstanding bond issues[, which are summarized in [a] separate compliance checklist[s].]

## REVISION OF THESE PRACTICES AND PROCEDURES

The Bond Compliance Officer will review these practices and procedures and consult with bond counsel [**and/or Borrower's outside/in-house counsel**] regarding any revisions that are necessary and appropriate:

- Annually, in connection with the preparation of Schedule K to Form 990; and
- Promptly, after
  - the issuance of any additional bonds by the Issuer for the benefit of the Borrower,
  - the establishment of a refunding or defeasance escrow for any bonds issued by the Issuer for the benefit of the Borrower, or
  - the retirement of a bond issue issued by the Issuer for the benefit of the Borrower.

The Bond Compliance Officer shall propose any such revisions to the Borrower's [chief financial officer/chief executive officer] for review and approval. [**Drafting Note: Add additional language here if approval of revisions by the CEO or the board is required.**] If these practices and procedures are revised, the Bond Compliance Officer shall distribute the revised version of these practices and procedures to all relevant officers, employees and counsel.

## OUTSTANDING BOND ISSUES

Appendix A describes all tax-exempt bond issues issued by the Issuer for the benefit of the Borrower that are outstanding as of the date of these policies and procedures. Appendix A shall be revised by the Bond Compliance Officer from time to time to reflect the issuance of any additional bonds by the Issuer for the benefit of the Borrower or the retirement or establishment of a refunding or defeasance escrow for any bonds issued by the Issuer for the benefit of the Borrower.

As of the last day of each fiscal year, if a bond issue described on Appendix A that was issued after December 31, 2002 has an outstanding principal amount of more than \$100,000, the information set forth in Appendix A with respect to such bond issue will be reported in Part I of Schedule K to Form 990. The bond issues reported in Part I of Schedule K are referred to in these policies and procedures as "***Schedule K bond issues.***"

## EXPENDITURE/ALLOCATION OF PROCEEDS

### ***Definition of "Proceeds"***

For the purpose of applying these practices and procedures (and for reporting information on Schedule K to Form 990), "proceeds" of a bond issue generally means the sales proceeds of the bond issue and investment proceeds from investments that accrue during the project period (net of any rebate amounts attribute to the project period).

## ***Review of Requisitions***

Until all proceeds (except sales proceeds deposited into a refunding escrow or a reasonably required reserve or replacement fund, i.e., a debt service reserve fund)<sup>2</sup> of each of the Borrower's outstanding bond issues have been expended, the Bond Compliance Officer will review each requisition for disbursement of bond proceeds prior to its submission for payment to confirm:

- All expenditures in such requisition are capital expenditures or issuance costs (unless working capital expenditures were expected to be financed)<sup>3</sup>;
- All capital expenditures in such requisition are for assets:
  - Described in the TEFRA public hearing notice and approval; and
  - With economic lives consistent with expectations upon issuance of the bonds regarding the 120% economic life test; and
- The aggregate amount of issuance costs to be financed with bond proceeds does not exceed the 2% limitation;
- Any expenditures in such requisition paid by the Borrower prior to the issuance of the bonds are eligible for reimbursement under the reimbursement regulations.

The Bond Compliance Officer will retain a copy of each requisition and all supporting documentation.

## ***Allocations of Proceeds***

The Bond Compliance Officer will cause all allocations of the proceeds of each bond issue to be made within 18 months after the later of the date the expenditure is made or the date the project is placed in service, but not later than the earlier of five years after the bonds were issued or 60 days after the issue is retired. Allocations will be made using any reasonable, consistently applied method and generally will not be considered final until the expiration of the dates described in the preceding sentence.

## ***Summary of Use of Proceeds***

The Bond Compliance Officer will prepare and retain a summary of the use of the proceeds of each outstanding bond issue (and each bond issue refunded with an outstanding bond issue). Until all proceeds (except sales proceeds deposited into a refunding escrow or a debt service reserve fund) of each outstanding bond issue have been expended, the Bond Compliance Officer will update the summary for each such bond issue promptly after submission of each requisition for disbursement of bond proceeds to the bond trustee for payment.

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<sup>2</sup> If any proceeds of a prior issue that become transferred proceeds of a refunding issue are intended to finance a project, the Bond Compliance Officer shall review each requisition for disbursement of such transferred proceeds in the manner described above and retain a copy of each such requisition and all supporting documentation.

<sup>3</sup> Unless working capital expenditures were expected to be financed, working capital expenditures should not be financed with bond proceeds. If working capital expenditures were expected to be financed, the Bond Compliance Officer should confirm that the working capital expenditures to be financed are directly related to capital expenditures financed by the bond issue (e.g., initial operating expenses for a new capital project) and that the aggregate working capital expenditures to be financed do not exceed 5% of the sale proceeds of the bond issue.

The summary of the use of the proceeds of each outstanding bond issue (and each bond issue refunded with an outstanding bond issue) shall include the following information:

- Total proceeds of the bond issue, including the issue price of the bond issue and investment proceeds
- Proceeds used for issuance costs
- Proceeds used for credit enhancement (e.g., letters of credit, liquidity facilities or bond insurance)
- Proceeds allocated to reasonably required reserve or replacement fund (e.g., debt service reserve fund)<sup>4</sup>.
- Proceeds used to currently refund prior issue
- Proceeds used to advance refund prior issue
- Proceeds used for capital expenditures (except capitalized interest), categorized as follows for the project (or, if the bond issue financed multiple projects, each project):
  - Land
  - Land improvements
  - Buildings
  - Equipment
- Proceeds used for capitalized interest (i.e., construction period interest)
- Proceeds used for working capital expenditures (if any)
- Year of substantial completion<sup>5</sup> (of each project, if more than one)

The summary shall be accompanied by a description of the bond-financed property.

**[Drafting Note: The Borrower should consider and specify here as appropriate how bond-financed equipment will be identified and described.]**

### ***Compliance with 120% Economic Life Test***

Within a reasonable time after all sales proceeds and investment proceeds of each outstanding bond issue have been expended, the Bond Compliance Officer will consult with bond counsel regarding compliance with the 120% economic life test based on the actual use of the proceeds of the bond issue.

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<sup>4</sup> In addition to sales proceeds deposited in a debt service reserve fund, the summary also should specify the amount of any proceeds of a prior issue that are deposited in a debt service reserve for a refunding issue and become transferred proceeds of the refunding issue.

<sup>5</sup> A project can be treated as substantially completed when, based upon all the facts and circumstances, the project has reached a degree of completion which would permit its operation at substantially its design level and it is, in fact, in operation at such level.

## OWNERSHIP/PRIVATE BUSINESS USE

### *Brief Summary of Ownership and Private Business Use Tests*

Each of the Borrower's outstanding bond issues constitutes "qualified 501(c)(3) bonds" under Section 145 of the Code. The property financed by each bond issue must comply with the following two tests at all times while the bond issue is outstanding:

- **Ownership Test:** the bond-financed property must be owned by the Borrower, another 501(c)(3) organization or a state or local government unit; and
- **Private Business Use Test:** the bond-financed property must not be subject to excessive private business use (generally, no more than three percent<sup>6</sup> of the net proceeds<sup>7</sup> of the bond issue will be used for any private business use).

### *Examples of Transactions that Could Result in Violations of the Ownership or Private Business Use Tests*

The Ownership Test would be violated if *any* of the property financed with the proceeds of a bond issue ceases to be owned by:

- the Borrower,
- another 501(c)(3) organization or
- a state or local government unit.

This could occur if bond-financed property is sold or otherwise conveyed to a for-profit entity or a joint venture that includes a for-profit entity. This also could occur if bond-financed property is leased to a for-profit entity for a term that exceeds its expected economic life (which would be treated for federal income tax purposes as a transfer of ownership to the for-profit entity).

The Private Business Use Test would be violated if bond-financed property is subject to excessive private business use. Use of bond-financed property by a "qualified user" does not result in private business use. "Qualified user" means the Borrower or another 501(c)(3) organization (if bond-financed property is not used in an unrelated trade or business) or a state or local government unit (or instrumentality) thereof. Private business use of bond-financed property can arise for a number of different reasons, including:

- Use by the Borrower (or another 501(c)(3) organization) in an unrelated trade or business (i.e., not for the exempt purposes of the Borrower or such other 501(c)(3) organization);
- Use by the federal government;
- A lease to a non-qualified user (e.g., a for-profit entity such as a private physician group);

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<sup>6</sup> If less than 2% of the bond proceeds are used to finance issuance costs, this percentage is increased by the amount of such difference. For example, if no bond proceeds are used to finance issuance costs, then up to five percent of the net proceeds of the bond issue could be subject to private business use.

<sup>7</sup> "Net proceeds" means the proceeds of a bond issue reduced by amounts in a debt service reserve fund.

- A management contract<sup>8</sup> that does not meet one of the safe harbors for private business use described in Revenue Procedure 97-13; or
- A research agreement that does not meet the safe harbor for private business use described in Revenue Procedure 2007-47.

***Policy Regarding Private Business Use***

To ensure compliance with the Private Business Use Test, the Borrower’s policy is to avoid any private business use of its bond-financed property by:

- Not using (or permitting another 501(c)(3) organization to use) bond-financed property in an unrelated trade or business;
- Not permitting the federal government to use bond-financed property;
- Not leasing bond-financed property to a qualified user where the lease does not further the exempt purposes of the Borrower;
- Not leasing bond-financed property to a non-qualified user (e.g., a for-profit entity);
- Requiring all management contracts to meet a safe harbor available under Revenue Procedure 97-13; and
- Requiring all research agreements to meet the safe harbor available under Revenue. Procedure 2007-47.

***Procedures for Compliance with the Ownership and Private Business Use Tests***

To ensure compliance with the Ownership Test and the Private Business Use Test, the Bond Compliance Officer will:

- Make other relevant officers and employees of the Borrower aware of the Ownership Test and the Private Business Use Test;
- Identify for such officers and employees the bond-financed property subject to the Ownership Test and the Private Business Use Test; and
- Require such other officers and employees to notify the Bond Compliance Officer of:
  - Any proposed sale or lease of bond-financed property;
  - Any proposed use by the Borrower (or another 501(c)(3) organization) of bond-financed property in an unrelated trade or business;
  - Any proposed use by the federal government of bond-financed property;

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<sup>8</sup> A “management contract” means a management, service, or incentive payment contract between a qualified user and a service provider under which the service provider provides services involving all, a portion of, or any function of, a bond-financed facility. A management contract includes not only a contract that provides for the actual management of a facility (such as a manager of an entire hospital or a hospital department or an operator of a cafeteria), but also one that provides services (such as a contract to provide medical services, other than as an employee, to patients of a hospital whether or not compensation is paid directly by the hospital or by patients or third-party payers). Furthermore, physicians that have control over bond-financed areas or property, such as pathology laboratories, emergency rooms and radiology equipment and/or laboratories, are considered service providers subject to these rules. The mere granting of admitting privileges by a hospital to a doctor will not give rise to private trade or business use of bond-financed property by the doctor if those privileges are available to all qualified physicians in the area, consistent with the size and nature of the hospital’s facilities.

- Any proposed management contract with respect to bond-financed property; and
- Any proposed research agreement that requires use of bond-financed property.

The Bond Compliance Officer will cause any proposed management contract and any proposed research agreement to be reviewed by bond counsel **[or outside/in-house counsel]** for compliance with the safe harbors in Revenue Procedure 97-13 or Revenue Procedure 2007-47, respectively.

The Bond Compliance Officer will cause any proposed sale or lease of bond-financed property to another 501(c)(3) organization or a state or local government unit to be reviewed by bond counsel **[or outside/in-house counsel]** as appropriate to determine whether such sale or lease will result in private business use (e.g., whether a lease furthers the exempt purposes of the Borrower, whether another 501(c)(3) organization who purchases or leases bond-financed property will use such property in an unrelated trade or business).

***Remedial Action; Tax-Exempt Bonds Voluntary Closing Agreement Program***

If there is a compelling business reason for the Borrower to proceed with a proposed sale or lease of bond-financed property to a non-qualified user that would violate the Ownership Test, the Bond Compliance Officer will consult with bond counsel regarding the availability of remedial action and, if remedial action is available, cause the Borrower to take such remedial action ***before*** the closing of such sale or lease.

If there is a compelling business reason for the Borrower to permit any use of bond-financed property by (i) the Borrower (or another 501(c)(3) organization) in an unrelated trade or business, (ii) the federal government or (iii) a non-qualified user (pursuant to a lease or otherwise), or to enter into a management contract or research agreement that does not meet a safe harbor for private business use, the Bond Compliance Officer will consult with bond counsel **[or outside/in-house counsel]** to compute the amount of private business use expected to result from such use, contract or agreement and confirm whether such private business use, together with all other expected private business use, will result in a violation of the Private Business Use Test. If such use, contract or agreement will result in a violation of the Private Business Use Test, the Bond Compliance Officer will consult with bond counsel regarding the availability of remedial action and, if remedial action is available, cause the Borrower to take such remedial action ***before*** such use begins or the Borrower enters into such management contract or research agreement.

If remedial action is not available, the Borrower will attempt to resolve a violation of the Ownership Test or the Private Business Use Test by requesting that the IRS enter into a closing agreement pursuant to its Tax-Exempt Bond Voluntary Compliance Agreement Program.

## ***Annual Summary of Private Business Use; Reporting Private Use on Schedule K to Form 990***

Annually, in connection with the preparation of Schedule K to Form 990, the Bond Compliance Officer will prepare and retain for the related fiscal year of the Borrower:

- A summary for each outstanding bond issue of the amount of private business use of the property financed by such bond issue;
- A summary of each sale or lease of bond-financed property reviewed during such fiscal year, including a brief description of the sale agreement or lease, who performed the review and the conclusions of the reviewer;
- A summary of each management contract or research agreement reviewed during such fiscal year for safe harbor compliance, including a brief description of the contract or agreement, who performed the review and the conclusions of the reviewer;
- Copies of all sale agreements, leases, management contracts and research agreements relating to bond-financed property reviewed during such fiscal year; and
- Copies of all documents relating to all remedial action taken (or VCAP closing agreements obtained) during such fiscal year.

The Bond Compliance Officer will compute and report on Schedule K to Form 990 the following with respect to the property financed by each Schedule K bond issue (except bond issues that refunded bonds issued prior to 2003) that was outstanding during such fiscal year:

- The percentage of bond-financed property used in a private business use by entities other than the Borrower, another 501(c)(3) organization or a state or local government; and
- The percentage of bond-financed property used in a private business use as a result of unrelated trade or business activity carried on by the Borrower, another 501(c)(3) organization or a state or local government.

### **ARBITRAGE/REBATE**

#### ***Rebate Computations/Exceptions***

With respect to each of the Borrower's outstanding bond issues, the Bond Compliance Officer will annually, in connection with the preparation of Schedule K to Form 990, confirm whether a rebate computation with respect to such bond issue is required to be performed during the year after the filing deadline for the Form 990. If a computation is required, the Bond Compliance Officer will cause the computation to be performed by retaining a rebate analyst as appropriate. If the rebate computation reflects that a payment is required, the Bond Compliance Officer will cause the Issuer to file Form 8038-T and the Borrower will pay any rebate when due.

Until all proceeds of a bond issue have been expended, the Bond Compliance Officer will monitor expenditures prior to semi-annual target dates for the six-month, 18-month and 24-month rebate exceptions.

### ***Yield Restriction of Gross Proceeds Invested Beyond an Available Temporary Period***

If any gross proceeds of a bond issue must be invested beyond an available temporary period (e.g., proceeds of a new money bond issue deposited in a construction/project fund are not expended within three years after the issue date), the Bond Compliance Officer will cause such gross proceeds to be yield restricted.<sup>9</sup>

### ***Purchase of Rollover Securities (Zero SLGs) for Defeasance Escrows***

With respect to each outstanding bond issue that has been defeased, the Bond Compliance Officer will annually, in connection of the preparation of Schedule K to Form 990, confirm whether any escrow securities are required to be rolled-over into zero SLGs during the year after filing deadline for the Form 990. If a roll-over is required, the Bond Compliance Officer will contact the escrow agent at least 30 days prior to the roll-over date to confirm that the escrow agent has taken or will take the action necessary to complete the roll-over.

### ***Qualified Hedges (e.g., Interest Rate Swaps)***

Prior to entering into a hedge with respect to any outstanding bond issue, the Bond Compliance Officer will consult with bond counsel about treating the hedge as a “qualified hedge.”

### ***Guaranteed Investment Contracts***

Prior to entering into a guaranteed investment contract for investment of any gross proceeds of any outstanding bond issue, the Bond Compliance Officer will consult with bond counsel regarding compliance with the regulatory safe harbor for establishing the fair market value of the GIC.

### ***Avoiding Creation of Replacement Proceeds; Yield Restriction of Replacement Proceeds***

To avoid the creation of replacement proceeds whenever possible, the Bond Compliance Officer will consult with bond counsel before the Borrower pledges cash or securities to the bond trustee or a guarantor (e.g., a credit or liquidity provider) or agrees to a negative pledge (e.g., a liquidity covenant such as a days cash on hand covenant or a covenant to maintain a specified amount of deposits).

Within 30 days after any replacement proceeds (e.g., a sinking fund, a pledged fund) with respect to any outstanding bond issue come into existence, the Bond Compliance Officer will cause such replacement proceeds to be yield-restricted.<sup>10</sup>

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<sup>9</sup> The Bond Compliance Officer will consult with bond counsel as appropriate regarding alternatives to yield restriction, including investing in tax-exempt obligations and yield reduction payments.

<sup>10</sup> See footnote 12.

## RECORD RETENTION

The Bond Compliance Officer will maintain general records relating to each of the Borrower's outstanding bond issues (and any bond issue refunded with proceeds of any outstanding bond issue) for the life of such bond issue plus six years. These general records will include:

- The transcript for the initial issuance and delivery of the bond issue, including proof of filing of Form 8038 for the bond issue.
- Any supplemental transcripts relating to the bond issue.
- Records to support the final allocation of proceeds, including:
  - The summary of the use of the proceeds described above;
  - The description of the bond-financed property; and
  - Copies of requisitions and supporting documentation.
- Records to support the computation of private business use, including:
  - A summary of the amount of private business use of the property financed by such bond issue;
  - Each annual summary of sales or leases of bond-financed property reviewed during such fiscal year, including a brief description of the sale agreement or lease, who performed the review and the conclusions of the reviewer;
  - Each annual summary of management contracts or research agreements reviewed during each fiscal year for safe harbor compliance, including a brief description of the contract or agreement, who performed the review and the conclusions of the reviewer;
  - Copies of all sale agreements, leases, management contracts and research agreements relating to bond-financed property reviewed during each fiscal year; and
  - Copies of all documents relating to all remedial action taken (or VCAP closing agreements obtained).
- All rebate computations and Forms 8038-T relating to the bond issue.
- With respect to guaranteed investment contracts, if any, and investments purchased for a yield restricted defeasance escrow which satisfied the regulatory safe harbor requirements for establishing their fair market value, the records required to be maintained pursuant to Treas. Reg. § 1.148-5(d)(6)(iii)(E).
- With respect to each qualified hedge, if any, evidence of the identification of such hedge on the Issuer's books and records.
- All reports, summaries and other documents prepared by the Bond Compliance Officer in implementing these practices and procedures.

## **REISSUANCE**

A modification to the terms of an outstanding bond issue may result in a “reissuance” (i.e., a deemed current refunding) of such bond issue. Examples of such changes include a change in the principal payment schedule, a change in the interest rate (including a change in the interest rate mode) and a change in the credit or liquidity support for the bond issue. Before the Borrower consents to any modification to the terms of an outstanding bond issue, the Bond Compliance Officer will consult with bond counsel to determine whether such change will result in a reissuance of the bond issue. If a reissuance will occur as a result of such change, the Bond Compliance Officer will cause the Borrower to take all action required by bond counsel to maintain the tax-exempt status of the bond issue upon reissuance (e.g., filing of Form 8038 and a final rebate computation) and will revise these practices and procedures as necessary to reflect such reissuance.

## **CORRECTIVE ACTION**

These practices and procedures are intended to ensure that violations of federal tax requirements for the Borrower’s outstanding tax-exempt bond issues are timely identified. The Bond Compliance will consult with bond counsel promptly if any violation is identified. If remedial action is not available for any violation that is identified, the Borrower will attempt to correct such violation in a timely manner through the IRS Tax-Exempt Bonds Voluntary Closing Agreement Program.

## APPENDIX A

### Outstanding Tax-Exempt Bond Issues

As of the date of these policies and procedures, the following tax-exempt bond issues<sup>11</sup> issued by the Issuer for the benefit of the Borrower are outstanding<sup>12</sup>:

| Name of Issue | CUSIP # <sup>13</sup> | Issue Date <sup>14</sup> | Issue Price <sup>15</sup> | Description of Purpose <sup>16</sup> | Defeased <sup>17</sup> |
|---------------|-----------------------|--------------------------|---------------------------|--------------------------------------|------------------------|
| A.            |                       |                          |                           |                                      |                        |
| B.            |                       |                          |                           |                                      |                        |
| C.            |                       |                          |                           |                                      |                        |
| D.            |                       |                          |                           |                                      |                        |
| E.            |                       |                          |                           |                                      |                        |

<sup>11</sup> A tax-exempt bond is an obligation issued by or on behalf of a governmental issuer on which the interest paid is excluded from the holder's gross income under Section 103 of the Code. For this purpose, a bond can be in any form of indebtedness under federal tax law, including a bond, note, loan or lease-purchase agreement. A bond issue is an issue of two or more bonds which are sold at substantially the same time; sold pursuant to the same plan of financing; and payable from the same source of funds. See Treas. Reg. § 1.150-1(c). As a result, two or more series of bonds issued by the Issuer can be treated as a single bond issue for federal income tax purposes.

<sup>12</sup> For federal income tax purposes, bonds that have been defeased remain outstanding until they are redeemed or paid at maturity and continued compliance with federal tax law requirements is still required with respect to such defeased bonds; however, bond issues that have been legally defeased *in whole*, and as a result are no longer treated as a liability of the Borrower, are *NOT* required to be reported on Schedule K even if they have not been redeemed or paid at maturity (i.e., remain outstanding).

<sup>13</sup> Enter the CUSIP number for the bond with the latest maturity. This should be the same CUSIP number listed on Form 8038. If no CUSIP number was assigned to the bond issue, write "None."

<sup>14</sup> Should be identical to the issue date listed on Form 8038.

<sup>15</sup> Should be generally identical to the issue price listed on Form 8038. If the issue price listed on Form 8038 was described as preliminary, e.g., the bond issue was a draw-down loan or commercial paper for which the aggregate issue price was not known on the issue date, the issue price to be shown on Schedule K could be different.

<sup>16</sup> Describe the purpose of the bond issue, such as to construct a hospital or provide funds to refund a prior issue. If any of the bond proceeds were used to refund a prior issue, enter the date of issue for each of the refunded issues. If the issue has multiple purposes, state each purpose. If the issue financed various projects or activities corresponding to a related purpose, only state the purpose once. For example, if proceeds are used to acquire various items of office equipment, the amount of such expenditures should be aggregated and identified with the stated purpose of "office equipment." Alternatively, if proceeds are used to construct and equip a single facility, the expenditures should be aggregated and identified with stated purpose of "construct & equip facility" where the identification of the facility is distinguishable from other bond-financed facilities, if any.

<sup>17</sup> Enter "Yes" or "No" to indicate whether a defeasance escrow or refunding escrow has been established to irrevocably defease any bonds of the bond issue. As discussed above in note 9, if a defeasance escrow or refunding escrow has been established to irrevocably defease all of the bonds of a bond issue, then that bond issue is not required to be reported on Schedule K. A defeasance escrow is an irrevocable escrow established to redeem bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premium on, bonds from the date the escrow is established to the earliest call date. A defeasance escrow can be established for several purposes, including remedial action. For purposes of Schedule K, an escrow established with proceeds of a refunding issue to defease a prior issue is referred to as a refunding escrow.

The Issuer's EIN is 52-1309402, the Borrower was not acting as an "On Behalf of Issuer" with respect to any of these outstanding bond issues and none of these outstanding bond issues were part of a "Pooled Financing."

Of these outstanding bond issues, **only those that were issued after December 31, 2002 and had an outstanding principal amount in excess of \$100,000 as of the last day of the Borrower's fiscal year** are required to be reported on Schedule K. These are referred to as "*Schedule K bond issues.*"