

HATTIESBURG, MISSISSIPPI
Post-Issuance Compliance Policies and Procedures

Adopted on November 6, 2018

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ATTACHMENT 1 – FORM OF ANNUAL COMPLIANCE CHECKLIST

Section 1 - Purpose

It is the policy of the City of Hattiesburg, Mississippi, (the “**City**”) to comply with federal tax law applicable to its tax-exempt debt borrowings (“**Tax-Exempt Debt**”) to ensure that interest paid on such Tax-Exempt Debt remains exempt from federal income tax and to comply with federal securities laws applicable to certain of its debt borrowings (“**Debt**”). The federal tax law requires compliance with numerous rules and regulations, including but not limited to, filing requirements, yield restriction limitations, arbitrage rebate requirements, use of proceeds and financed projects limitations and recordkeeping requirements. The federal securities laws require the City to disclose certain financial information and operating data and to file notices of certain material events to the marketplace to facilitate informed secondary market trading in certain securities issued by the City. Given the increasing complexity of the federal tax and securities laws, the City hereby formally adopts the following policies and procedures (the “**Policies and Procedures**”). These Policies and Procedures are intended to serve as a guide for the City to facilitate compliance with federal tax law applicable to its Tax-Exempt Debt and to facilitate compliance with the federal securities law applicable to its Debt.

In the event these policies and procedures conflict, in whole or in part, with the federal tax agreement or federal tax certificate prepared on behalf of the City in connection with its borrowing of Tax-Exempt Debt (the “**Tax Certificate**”), the terms of the applicable Tax Certificate will control.

Section 2 - Compliance Officer Designation

The City Clerk is hereby designated as the City’s Compliance Officer (the “**Compliance Officer**”). Except as otherwise described herein, the City’s designated Compliance Officer will have primary responsibility for ensuring that the City’s outstanding Tax-Exempt Debt is, and remains, in compliance with federal tax law. The City may appoint a new Compliance Officer from time to time as needed. Also, the Compliance Officer may delegate duties herein as deemed necessary.

The Compliance Officer will at all times be aware of the City’s obligations set forth in these Policies and Procedures, including the City’s ongoing recordkeeping and compliance responsibilities associated with its Tax-Exempt Debt. The Compliance Officer will at all times be familiar with these Policies and Procedures and will be authorized to consult with third-party professionals (e.g., legal counsel, bond counsel and arbitrage calculating agents), as necessary, to ensure compliance with these Policies and Procedures. The Compliance Officer will be familiar with the IRS’s website at www.irs.gov/Tax-Exempt-Bonds and aware that such website contains information, forms and publications pertaining to tax-exempt bonds, including IRS Publication 4079 – Tax Exempt Governmental Bonds, a copy of which is attached as Attachment II.

Section 3 - Tax-Exempt Debt Borrowings

I. Tax Certificates. The Tax Certificate (which is generally prepared by bond counsel and signed by the City) will serve as the operative document for purposes of establishing reasonable expectations of the City as of the date of the borrowing. Each Tax Certificate provides a summary of the federal tax rules applicable to each Tax-Exempt Debt borrowing. Prior to each borrowing, the Compliance Officer will review each Tax Certificate to confirm that the expectations set forth in the Tax Certificate are reasonable and accurate and to become familiar with the requirements set forth therein.

II. Internal Revenue Service Form 8038 – Tax-Exempt Bonds. IRS Form 8038-G, Information Return for Tax-Exempt Governmental Obligations (“**Form 8038-G**”) is generally prepared by bond counsel as of the date of issuance of the Tax-Exempt Debt. The City understands that each Form 8038-G must be filed by the City with the IRS no later than the 15th day of the 2nd calendar month after the close of the calendar quarter in which the Tax-Exempt Debt is issued. The Compliance Officer will ensure that the proper information is documented in the Form 8038-G.

III. Reimbursement Declarations of Official Intent. Under Section 1.150-2 of the Treasury Regulations, the Borrower is permitted to use proceeds of Tax-Exempt Debt to reimburse certain expenditures paid before the date of issuance of the Tax-Exempt Debt (subject to certain requirements). One requirement is that the Borrower (or Issuer) must adopt a declaration of official intent to reimburse expenditures not later than 60 days after the reimbursed expenditure is paid. If proceeds of the Tax-Exempt Debt will be used for reimbursement purposes, the Compliance Officer will coordinate with the Issuer to ensure the timely adoption of such declaration of official intent.

IV. Qualified Hedge. If the City enters into a qualified hedge (i.e. swap transaction) pursuant to Section 1.148-4(h) of the Treasury Regulations in connection with its Tax-Exempt Debt, the Compliance Officer will immediately inform the Issuer and cooperate with the Issuer to ensure compliance with the Treasury Regulations required for integration (to the extent integration is desired by the City).

Section 4 - Use of Debt Proceeds – Tax-Exempt Bonds

I. Private Business Use. The City will not knowingly take or permit to be taken any action that would cause any of its outstanding Tax-Exempt Debt to become taxable “private activity bonds,” as described below. Generally, an issue of qualified 501(c)(3) tax-exempt bonds under Section 145 of the Code will be considered taxable “private activity bonds” if more than 5% of the proceeds are used directly or indirectly in any trade or business carried on by a private business user and more than 5% of the debt service is directly or indirectly (1) secured by any interest in property used or to be used in any trade or business carried on by a private business user, or (2) derived from payments made in respect of property used or to be used in any trade or business carried on by a private business user.

The Compliance Officer will annually review the “use” of its facilities financed with its outstanding Tax-Exempt Debt for compliance with the applicable use restrictions imposed on

tax-exempt financed facilities, as set forth in the Tax Certificate. Prior to entering into certain arrangements that could give rise to an impermissible amount of private business use, the Compliance Officer will consult with its counsel before entering into such arrangements that include, but are not limited to, management contracts, operating agreements, licenses, leases, subleases, naming rights agreements, research agreements, cellular tower or solar panel placement agreements, clinical trial agreements, and joint venture or partnership arrangements.

In the event the Compliance Officer determines the City has entered into an arrangement involving any of its facilities financed with Tax-Exempt Debt which may give rise to an impermissible amount of private business use, the City will consult its counsel to determine whether such arrangement impacts the tax-exempt status of the City's Tax-Exempt Debt. The Compliance Officer will provide the Issuer with written notice of any such actions by the City that would adversely impact the tax-exempt status of the Tax-Exempt Debt.

II. Sale of Debt-Financed Property. Prior to selling or otherwise disposing of any facilities financed with outstanding Tax-Exempt Debt, the Compliance Officer will obtain approval from the Issuer and will consult with its counsel to determine what impact, if any, such arrangement would have on the tax-exempt status of the City's outstanding Tax-Exempt Debt.

III. Remedial Actions. The Compliance Officer will be aware of the remedial action rules contained in Treasury Regulations Section 1.141-12, providing, in certain circumstances, a mechanism to voluntarily remediate violations of the private business tests or private loan financing test. Although the City intends that none of its Tax-Exempt Debt will require the application of the remedial action rules, prior to taking any action that would cause its outstanding Tax-Exempt Debt to, absent a remedial action, violate the private business use tests or private loan financing test, the Compliance Officer will consult with its counsel regarding the applicability of the remedial action rules to such action and the ability to remediate the impacted Tax-Exempt Debt. The Compliance Officer will provide the Issuer with written notice of any remedial action by the City that would adversely impact the tax-exempt status of the Tax-Exempt Debt.

IV. Private Loans. The City's Tax-Exempt Debt will be considered taxable "private loan bonds" if more than 5% of the proceeds of the Tax-Exempt Debt is used, directly or indirectly, to make or finance loans to private persons. The City will not take or permit to be taken any action that would cause any of its Tax-Exempt Debt to be considered taxable "private loan bonds." The City will not loan the proceeds of its Tax-Exempt Debt to any third party without first consulting with its counsel. The Compliance Officer will consult with its counsel prior to any such loans being made by the City.

Section 5 - Arbitrage Rebate and Arbitrage Limitations Imposed on Tax-Exempt Debt

- I. Hiring an Arbitrage Calculating Agent. With regard to each of the City's outstanding Tax-Exempt Debt borrowings, the City will retain an arbitrage calculating agent to (a) determine whether the Tax-Exempt Debt in question qualifies for an exception to the arbitrage rebate rules and (b) perform calculations to ascertain whether an arbitrage rebate payment or yield reduction payment is owed to the IRS, unless, in the judgment of the City and in compliance with these

Policies and Procedures and the Tax Certificate, there is no reasonable prospect of any arbitrage rebate or yield reduction payment liability. The Compliance Officer will coordinate the timely hiring of an arbitrage calculating agent as required by these Policies and Procedures.

II. Payment of Arbitrage Rebate and Yield Reduction Liability. The arbitrage calculating agent retained by the City (discussed above) will determine whether an arbitrage rebate payment or yield reduction payment is owed to the IRS. If payment is owed to the IRS, the City will instruct the arbitrage calculating agent to prepare IRS Form, 8038-T, Arbitrage Rebate Yield Reduction and Penalty Payment in Lieu of Arbitrage Rebate (“**Form 8038-T**”). The Compliance Officer or arbitrage calculating agent will remit the Form 8038-T, with the required payment, to the IRS.

The Compliance Officer will consult with its arbitrage calculating agent within thirty (30) days of the issue date of its Tax-Exempt Debt as to the required “installment computation dates” for purposes of calculating arbitrage rebate and yield reduction liability. As background, for these purposes, within 60 days after each installment computation date, the City must cause to be paid to the Internal Revenue Service at least 90% of the amount of arbitrage rebate and yield reduction payment liability owed. In addition, within 60 days after the final installment computation date, the City must cause to be paid to the Internal Revenue Service 100% of the amount of arbitrage rebate and yield reduction payment liability owed. Each completed Internal Revenue Service Form 8038-T, Arbitrage Rebate Yield Reduction and Penalty in Lieu of Arbitrage Rebate, together with full payment in the amount equal to the arbitrage rebate or yield reduction payment liability calculated by the arbitrage calculating agent, must be filed with the Internal Revenue Service at the applicable address which is currently, Internal Revenue Service Center, Ogden, UT 84201.

III. Yield Restriction Limitations. For each Tax-Exempt Debt borrowing, the City will comply with the applicable yield restriction investment limitations and temporary periods with regard to its outstanding Tax-Exempt Debt, as described in the respective Tax Certificate. The Compliance Officer will monitor the City’s compliance with these applicable yield restriction limitations.

IV. Timely Expenditure of Tax-Exempt Debt Proceeds. The IRS generally requires that conduit borrowers of Tax-Exempt Debt reasonably expect to spend eighty-five percent of the proceeds of such borrowings within three years of the issue date of such Tax-Exempt Debt. Accordingly, it is the City’s policy to utilize tax-exempt financing for projects that it reasonably expects will be substantially completed within three years, unless otherwise approved by its counsel. Upon receipt of proceeds from Tax-Exempt Debt borrowings, the Compliance Officer will regularly monitor the expenditure of such proceeds. If the majority of such proceeds will not be fully expended within three years of the issue date of the Tax-Exempt Debt, the Compliance Officer will determine how quickly such amounts can be spent, and if needed, contact its counsel to determine whether remedial action as described above (or some other form of action) will be needed.

Section 6 - Recordkeeping

I. Means of Maintaining Records. The City may maintain all records required to be held as described in this Section 6 in paper and/or electronic (e.g., CD, disks, tapes) form. It is the policy of the City to maintain as much of its records electronically as feasible. The Compliance Officer will be responsible for verifying the City's continued compliance with the recordkeeping requirements set forth in this Section 6 with regard to the City's Tax-Exempt Debt.

II. Retention Period. The City will maintain, or cause to be maintained, all records relating to the tax-exempt status of its Tax-Exempt Debt and the representations, certifications and covenants set forth in its respective Tax Certificates until the date four years after the last outstanding obligation of the issue to which such records and Tax Certificate relate has been retired.

If the City borrows Tax-Exempt Debt to refund prior debt, the City will maintain all of the records described in this Section 6 with respect to the refunded debt as well (whether taxable or tax-exempt) until the date that is four years after the Tax-Exempt Debt, the proceeds of which were used to refund the prior debt, has been retired. For example, if the City borrows Tax-Exempt Debt in 2018 (2018 Bonds) to refund Tax-Exempt Debt borrowed in 2009 (2009 Bonds), the City will maintain the records described herein with respect to the 2009 Bonds until the date four years after the date the last outstanding 2018 Bond has been retired. If the 2009 Bonds themselves refunded prior debt, the City will also maintain records related to such prior debt for the same period of time.

III. Required Records.

The City will maintain detailed records with respect to the following:

- A. Transcript of Proceedings for the City's Tax-Exempt Debt.
- B. Documentation evidencing the expenditure of proceeds of the City's Tax-Exempt Debt.
- C. Documentation evidencing any private business use of facilities financed with proceeds of the City's Tax-Exempt Debt.
- D. Documentation evidencing all sources of payment or security for the City's Tax-Exempt Debt.
- E. Documentation pertaining to any investment of proceeds of the City's Tax-Exempt Debt, including documentation pertaining to broker's fees paid (if at all) or other administrative costs with respect to such investments.
- F. Records of arbitrage rebate payment and yield reduction payment calculations performed by the arbitrage calculating agent (irrespective of whether any amount was determined to be owed to the Internal Revenue Service), as well as records related to any arbitrage rebate payments or

yield reduction payments made to the Internal Revenue Service, including the calculations performed by the arbitrage calculating agent substantiating such payments, together with the Internal Revenue Service Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, that accompanied all such payments.

- G. Documentation authorizing the reimbursement of expenditures using proceeds of the Tax-Exempt Debt.
- H. Appraisals, demand surveys and feasibility studies related to projects financed or refinanced with the City's Tax-Exempt Debt.
- I. Documentation relating to any third-party funding for the City's projects to which proceeds of the City's Tax-Exempt Debt will be applied (including government grants).
- J. Records of any Internal Revenue Service audits or compliance checks, or any other Internal Revenue Service inquiry related to the City's Tax-Exempt Debt.

Section 7 - Voluntary Closing Agreement Program

The Compliance Officer will be aware of the IRS's TEB Voluntary Closing Agreement Program ("**VCAP**") and its ability, pursuant to IRS Notice 2008-31, 2008-11 I.R.B. 592 (or a successor notice as the case may be), to request a voluntary closing agreement with the IRS to resolve compliance violations on the part of the City with the applicable federal tax rules to its outstanding Tax-Exempt Debt. A copy of Internal Revenue Service Notice 2008-31 is available on the Internal Revenue Service's website at www.irs.gov.

Section 8 - Annual Compliance and Continuing Education

I. Annual Compliance. The Compliance Officer will complete the Annual Compliance Checklist within 60 days of the end of each "bond year," as defined in the Tax Certificate. A copy of the Annual Compliance Checklist is attached hereto as Attachment 1. The Compliance Officer will deliver a copy of the Annual Compliance Checklist to the Issuer annually, upon request of the Issuer.

II. Continuing Education. The Compliance Officer will consult with bond counsel regarding the federal tax rules applicable to the City's outstanding Tax-Exempt Debt and any changes to the federal tax law. The City will update these policies and procedures as needed to reflect any such changes. The City will encourage its Compliance Officer to attend continuing education events and conferences, as needed, pertaining to tax-exempt municipal bonds. The City will encourage its Compliance Officer to contact bond counsel and/or tax counsel as needed to comply with these Policies and Procedures and for purposes of completing the Annual Compliance Checklist.

Section 9 - Miscellaneous

The City reserves the right to amend or withdraw these TE Policies and Procedures at any time and from time to time to reflect changes in federal tax laws or other applicable laws concerning its outstanding Tax-Exempt Debt. The Compliance Officer will consult with its counsel as it deems necessary to ensure the applicable federal tax law requirements are satisfied. These TE Policies and Procedures do not, and are not intended to, limit the actions of the City solely to those federal tax matters listed above, but are intended to provide the City with broad discretion and general guidelines in addressing any and all federal tax matters that may affect its outstanding Tax-Exempt Debt.

Section 10 - Consultation with Counsel

Should the City, including the Compliance Officer, have further questions regarding these Post-Issuance Compliance Policies and Procedures or any other questions concerning the City's Tax-Exempt Debt borrowings, please contact Butler Snow LLP attorney, Elizabeth Clark at (601) 985-4406.

ATTACHMENT 1 – FORM OF ANNUAL COMPLIANCE CHECKLIST

[Attached]

FORM ANNUAL COMPLIANCE REPORT & CHECKLIST

[BOND CAPTION]

The Compliance Officer shall complete this Form Annual Compliance Report and Checklist (the “**Annual Checklist**”) for each of the City’s outstanding tax-exempt bonds on an annual basis, within 60 days of the close of the applicable bond year, which should be set forth in the Tax Certificate. The tax-exempt bonds identified below shall hereinafter be referred to as the “Bonds.” The project(s) financed or refinanced with proceeds of the Bonds shall hereinafter be referred to as the “Project.” The Bond Year covered by this Annual Checklist shall hereinafter be referred to as the “Annual Period.”

If the Compliance Officer identifies any compliance deficiencies in this Annual Checklist, the Compliance Officer should immediately contact Bond Counsel, as identified in the City’s TE Policies and Procedures and take the actions required in the Tax Certificate or TE Policies and Procedures.

If the Compliance Officer has any questions pertaining to completion of this Annual Checklist, please contact Butler Snow LLP attorney, Elizabeth Clark at (601) 985-4406 (“**Tax Counsel**”).

1. GENERAL QUESTIONS

Bond Caption:

Date of Issuance of Bonds:

Applicable Annual Period:

Date of Annual Checklist:

Name of Compliance Officer:

Description of Project:

2. PROJECT OWNERSHIP

Has the Project been continuously owned by the City during the Annual Period:

If ownership of the Project has changed during the Annual Period, contact Tax Counsel:

3. PROJECT COMPLETION & EXPENDITURE OF PROCEEDS OF BONDS (FOR NEW MONEY PROJECTS)

Amount of proceeds of Bonds
originally allocated to construct
the Project:

Have all such proceeds
(including interest earned
thereon) been spent:

If not, does the City
expect such amounts will be
expended in accordance with
its expectations set forth in the
Tax Certificate:

If all such proceeds have not
been spent, has more
than three years elapsed since
the Date of Issuance of Bonds:

Has the Project been completed
and placed in service:

If Project has been completed
and placed in service, has the
City completed a “final
allocation” of Bond proceeds:

If Project has been completed, if
any proceeds of the Bonds allocated
to construct the Project remain
unspent, contact Tax Counsel:

If Project has been completed
during the Annual Period, has
written notice been sent to the
Issuer:

4. USE OF PROJECT

During the Annual Period, has any portion of the Project been managed by another entity:

If so, has the arrangement been determined to be compliant with Revenue Procedure 2017-13 (if not, contact Tax Counsel):

During the Annual Period, has any portion of the Project been leased to another entity:

If so, has the arrangement been determined to be compliant with Revenue Procedure 2017-13 (if not, contact Tax Counsel):

During the Annual Period, has any portion of the Project been used for research by another entity:

If so, has the arrangement been determined to be compliant with Revenue Procedure 2007-47 (if not, contact Tax Counsel):

During the Annual Period, has the City entered into any agreements with respect to the Project that could result in private business use (such as naming rights agreements, cell tower or wind generation agreements, or other types of arrangements) (if yes, contact Tax Counsel):

If the City intends to use the Project in a manner that may jeopardize the tax-exempt status of the Bonds, contact Tax Counsel:

5. REFUNDINGS

If the Bonds were issued for current refunding purposes, were such proceeds of the Bonds spent within 90 days of the issue date of the Bonds (if no, contact Tax Counsel):

If the Bonds were issued for advance refunding purposes, are the refunded Bonds being redeemed by the escrow agent in accordance with the requirements in the Escrow Agreement (if no, contact Tax Counsel):

6. ARBITRAGE AND REBATE

Have all rebate and yield reduction calculations mandated in the Tax Certificate been prepared:

If a rebate and yield calculation was prepared during the Annual Period, has the City retained a copy and filed an 8038-T with the IRS if required (if no, contact Tax Counsel):

7. RECORD KEEPING

Has the City maintained all records as required by the Tax Certificate and the TE Policies and Procedures (if no, contact Tax Counsel):

8. CORRESPONDENCE WITH INTERNAL REVENUE SERVICE

During the Annual Period,
has the City received
any correspondence from the
IRS pertaining to the Bonds:

If yes, please describe:

If yes, has the City
contacted Tax Counsel:

9. QUALIFIED HEDGE CONTRACTS

During the Annual Period,
has the City entered into
a new hedge contract:

If the City previously
integrated a hedge contract with
the Bonds, has the City
taken action to terminate the hedge
contract during the Annual Period
(if yes, contact Tax Counsel):

10. MODIFICATIONS TO BOND DOCUMENTS

During the Annual Period,
has the City entered
into an arrangement that modified
the terms of the bond documents:

If yes, please describe and contact
Tax Counsel:

11. CONTINUING EDUCATION

During the Annual Period,
describe any continuing education
events and/or conferences attended
by the Compliance Officer:

During the Annual Period,
has the Compliance Officer
consulted with Tax Counsel regarding
federal tax rules pertaining to
the Bonds as needed:

12. REMEDIAL ACTION

During the Annual Period,
has the Compliance Officer
identified a violation that
may necessitate the need
for the Issuer to take
remedial action with regard to
the Bonds (if yes, contact Tax
Counsel):

13. VCAP

During the Annual Period,
has the Compliance Officer
identified a violation that may
necessitate utilization of the IRS's
Voluntary Closing Agreement
Program (if yes, contact Tax
Counsel):

A COPY OF THIS ANNUAL CHECKLIST SHOULD BE FILED WITH THE CITY'S
RECORDS PERTAINING TO THE ISSUANCE OF THE BONDS.

IF COMPLETION OF THIS CHECKLIST REQUIRES CONSULTATION WITH TAX
COUNSEL, CONTACT ONE OF THE FOLLOWING ATTORNEYS WITH
BUTLER SNOW LLP:

ELIZABETH CLARK at (601) 985-4406