

WILLIAMSON-TRAVIS COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

Tax-Exempt Bonds Tax Compliance Guidelines

Adopted: May 20, 2020

I. Purpose

These guidelines (the “Guidelines”) are adopted by the WILLIAMSON-TRAVIS COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1 (the “Issuer”) to ensure that interest on tax-exempt bonds, the proceeds of which are used by 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 use 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 Bonds, the Issuer will consult with counsel nationally recognized in the area of municipal finance and other experienced advisers (“Capable Advisers”), in advance, regarding anticipated deviations from the facts and expectations of the Issuer set forth in the closing certifications relating to any issue of Bonds.

II. Ongoing Relationship with Outside Advisors

The Issuer maintains an ongoing relationship with Capable Advisers 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 Investment Officer(s) of the Issuer (the “Designated Tax Compliance Officer”) is the primary person to consult with Capable Advisers on a continual basis for the entire term of the Bonds. In general, the Designated Tax Compliance Officer has the primary responsibility to ensure compliance with the Applicable Federal Tax Law relating to the 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”), and record-keeping and filing requirements.

In order to assist in compliance related to the expenditure and investment of proceeds, the Issuer has engaged the services of an arbitrage rebate services provider (“Rebate Provider”).

IV. Investment of Bond Proceeds

A. In General

On the date of issue of any Bond, the Designated Tax Compliance Officer or his or her designee will work with the Rebate Provider to identify for that obligation:

- All the funds and/or accounts into which Bond 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 Bond Proceeds which must be invested at or below the yield on the obligations.

The Designated Tax Compliance Officer or his or her designee will obtain regular, periodic (monthly) statements regarding the investments and transactions involving Bond Proceeds and provide such statements to the Rebate Provider in a timely fashion.

V. Expenditures of Bond Proceeds

A. Assignment of Responsibility and Establishment of Calendar

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

- The funds and/or accounts into which Bond Proceeds are deposited.
- The types of expenditures expected to be made with the Bond Proceeds deposited into those funds and/or accounts and any expenditures prohibited from being made from such funds and/or accounts.

B. Expenditure Failures

If the Designated Tax Compliance Officer discovers that proceeds of the Bonds have become subject to rebate or yield restriction, said person will consult with Capable Advisers to determine the appropriate course of action with respect to such unspent Bond Proceeds. Special action may need to be taken with such unspent Bond Proceeds, including yield restriction, or redemption of Bonds.

C. Record Keeping Requirements - Expenditures of Bond Proceeds

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

- Identifying all assets or portion of assets financed with Bond Proceeds.
- Relating to requisitions 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.

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. Arbitrage Rebate

A. In General

The Designated Tax Compliance Officer 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 Issuer has engaged the services of an arbitrage rebate services provider ("Rebate Provider"). Statements regarding investments

and transactions involving Bond Proceeds and other requested documents and information should be timely provided to the Rebate Provider. The Designated Tax Compliance Officer will work with the Rebate Provider to assure compliance with required rebate and yield reduction payments, if any.

B. Record Keeping Requirements - Arbitrage Rebate

The Designated Tax Compliance Officer 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.

VII. 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 Tax 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.

Subject to the following, Private Business Use will generally arise through a contract whereby a Private User or non-State and local government unit manages, operates or provides services with respect to Bond-financed Assets (a "Management Contract"). However, Management Contracts that meet certain requirements described in IRS Revenue Procedure 2017-13, or its predecessors as applicable, do not give rise to Private Business Use (the "Management Contract Safe Harbors"). In addition, 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 Officer 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. The Designated Tax Compliance Officer 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 restrictions relating to the Bond-financed Asset.

The Designated Tax Compliance Officer 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 Officer or his or

her designee may forward such Management Contract to Capable Advisers to determine whether such Management Contract complies with the Management Contract Safe Harbors.

No Bond-financed Asset will be sold, leased or transferred by the Asset Managers without prior approval by the Designated Tax Compliance Officer. The Designated Tax Compliance Officer should consult Capable Advisers regarding any Bond-financed Asset to be sold, leased or transferred.

The Designated Tax Compliance Officer or his or her designee will consult 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.

C. 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 Tax Certificate, the Issuer should consult with Capable Advisers 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 certain tax 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 or using the disposition proceeds from the sale of the Bond-financed Assets for another qualified purpose. Other actions (or inaction) that potentially adversely affect the status of the Bonds may be corrected through the IRS Voluntary Closing Agreement Program.

D. Record Keeping Requirements - Project Use Requirements

The Designated Tax Compliance Officer or his or her designee will keep copies of all Management Contracts, 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.

VIII. Tax Compliance Training

The Designated Tax Compliance Officer or other staff responsible for monitoring post-issuance tax compliance matters will attend regular training or educational forums necessary to stay up to date with tax-exempt bond tax requirements.

IX. Annual Review

The Designated Tax Compliance Officer will coordinate an annual review process to investigate, monitor, assure and document compliance with tax-exempt bond tax requirements.

PASSED AND APPROVED THIS 20th day of May, 2020.



Catherine Franke, President
Board of Directors

ATTEST:



Chris Rocco, Secretary
Board of Directors

[DISTRICT SEAL]