

**CASTAIC LAKE WATER AGENCY  
BUILD AMERICA BONDS COMPLIANCE POLICY**

**Introduction**

The Board of Directors of the Castaic Lake Water Agency recognizes its responsibility to ensure the compliance with all Federal laws and regulations (Federal Requirements) associated with the issuance of tax-exempt debt and tax-advantaged direct pay bonds, commonly referred to as Build America Bonds (BABs). The purpose of this policy is to provide guidelines and establish procedures for the compliance with Federal Requirements in connection with the issuance of Build America Bonds. This policy applies to the Castaic Lake Water Agency and the Santa Clarita Water Division.

**Procedures**

At least five business days before distributing a preliminary official statement in which the Agency contemplates offering BABs for sale, the Agency will provide a written notice that none of the maturities which represent BABs can be issued with more than a *de minimus* amount of premium as required by section 54AA(d)(2)(c) and that costs of issuance cannot exceed 2% of the proceeds of the sale to the following parties associated with the proposed transaction:

- Bond or special counsel
- Disclosure counsel
- Financial advisor
- Underwriter and its counsel

Prior to executing any purchase contract, the Agency will require written confirmation from the underwriter that none of the maturities which represent BABs have been sold with more than a *de minimus* amount of premium as required by section 54AA(d)(2)(c) and that costs of issuance do not exceed 2% of the proceeds of the sale.

At least five business days before distributing a preliminary official statement in which the Agency contemplates offering BABs for sale, the Agency will hire an independent consultant to review the daily records of the secondary market trading activity for the BABs between the sale date and the closing date. The independent consultant will be required to provide a written report of each trade and its date and further identify the principal amount and the price at which the BABs traded. Such report will be a condition of closing the BABs maturities.

The Treasurer or designated financial employee will provide a monthly written report to the Board of the expenditure of proceeds derived from BABs showing the amount of expended in the prior month, the total amount expended from the date of the closing of the transaction; that the expenditure was for capital projects (as defined by BABs standards), the amount remaining to be spent and the amount remaining invested in a reasonably required reserve fund, if any.

At closing the Agency will execute documentation covenanting to comply with Federal rebate and arbitrage requirements. The Agency will engage a consultant, annually, to calculate and report the arbitrage rebate liability of the Agency. Every five years the Agency will file with the IRS the appropriate documentation and supporting calculations demonstrating arbitrage rebate liability and provide payment of at least 90% to the U.S. Treasury for arbitrage rebate liability, if any.

At least 67 days before an interest payment date, the Agency will calculate, or cause to be calculated: the interest amount due on the next interest payment date and the refundable credit to be reported on Form 8038-CP.

At a Board meeting at least 45 days prior to an interest payment date for outstanding BABS, the Treasurer or designated financial employee will provide a written report to the Board of the calculation

described in the paragraph above, the proper party to whom the refundable credit is due, and a completed and executed 8038-CP. The Treasurer is hereby designated as the staff person responsible for the Agency's compliance with this policy.

(Adopted April 28, 2010)