

**A RESOLUTION OF THE TWIN OAKS BOARD OF ALDERMEN DESIGNATING THE CITY ADMINISTRATOR AS THE BOND COMPLIANCE OFFICER; SETTING A DATE FOR ANNUAL REPORTS FROM THE BOND COMPLIANCE OFFICER TO THE BOARD; AND ADOPTING AN ANNUAL COMPLIANCE CHECKLIST FOR THOSE REPORTS TO THE BOARD.**

**WHEREAS**, the Internal Revenue Service (the “IRS”) now recommends issuers of tax-exempt bonds to adopt written procedures for monitoring post-issuance federal tax requirements for tax-exempt bonds and other financial obligations; and

**WHEREAS**, the City of Twin Oaks, Missouri (the “City”) has entered in to financing agreements for certain projects with tax-exempt bonds, and may in the future enter in to other financing agreements for additional projects with tax-exempt bonds; and

**WHEREAS**, the City desires to ensure compliance with Rule 15c2-12 of the Securities Exchange Commission (the “SEC”), Internal Revenue Service (“IRS”) regulations, and all other regulations that may apply to the City as an issuer of tax-exempt bonds or other financial obligations, which require disclosures of certain financial information and operating data, and require the filings of notices of certain material events to the marketplace to inform secondary market trading of bonds; and

**WHEREAS**, the City of Twin Oaks, Missouri (the “City”) has adopted a Bond Financing Compliance Policy and Procedure (the “Compliance Policy”) on April 5, 2017, as part of one such financing agreement; and

**WHEREAS**, the Board of Aldermen of the City of Twin Oaks, Missouri (the “Board”) finds it in the best interest of the City to designate a Bond Compliance Officer (“BCO”) to administer the compliance policies and procedures required by current and future financing agreements with tax-exempt bonds; and

**WHEREAS**, the Board also finds it in the best interest of the City to adopt an overarching Annual Compliance Checklist (the “Checklist”) to ensure compliance with tax laws, IRS regulations, state laws, and other applicable rules to the City as an issuer for all applicable agreements the City has entered in to or may enter in to in the future; and

**WHEREAS**, as of the date of this Resolution, the City has no outstanding bonds that are subject to securities laws and regulations; therefore, the Checklist does not address post-issuance securities compliance; and

**WHEREAS**, in the event the City issues bonds in the future that are subject to securities laws, the City may update this Checklist or adopt other procedures for compliance with such laws as deemed advisable at that time; and

**WHEREAS**, the Board desires to establish that last meeting of June, the second Regular Meeting of the Board, as the meeting date when the BCO, using the information as necessary to

complete the Checklist, provides an annual report to the Board regarding any and all agreements covered by the compliance policies and procedures adopted in this Resolution (the "Compliance Meeting").

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF TWIN OAKS, MISSOURI, AS FOLLOWS:**

**Section 1.** The recitals contained in the *Whereas* clauses of this Resolution are incorporated as if set forth within.

**Section 2.** The Board of Aldermen hereby designates the City Administrator to act as the Bond Compliance Officer.

**Section 3.** The Board of Aldermen hereby adopts the Compliance Policies and Procedures Checklist, attached as Exhibit 1 and incorporated herein (hereinafter "Checklist"), to be utilized by the BCO to ensure compliance with applicable policies and procedures for all pertinent agreements wherein the City acts as an issuer, and which Checklist will supplement all current applicable agreements of the City and become the primary resource for compliance with agreements of the City in the future.

**Section 4.** The Board of Aldermen hereby designates the last meeting of June, specifically the date of the second Regular Meeting of the Board, as the date on which the BCO will report to the Board on the compliance procedures and policies of the City, and any amendments necessary to the City's current compliance procedures and policies. During this Compliance Meeting, the BCO will also give annual reports of compliance for all agreements wherein the City acts as an issuer. The Checklist is to be used by the BCO at the Compliance Meeting to provide the Board with a synopsis of the financial status of each tax-exempt agreement wherein the City acts as an issuer. The Compliance Meeting date can be extended by the Board up to thirty (3) days for cause.

**Section 5.** This Resolution is adopted and shall be in full force and effect on and after its passage and approval.

THIS RESOLUTION WAS PASSED AND APPROVED THE 6<sup>th</sup> DAY OF DECEMBER 2017, BY THE BOARD OF ALDERMEN OF THE CITY OF TWIN OAKS, MISSOURI.



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Russ Fortune, Mayor

Attest:

  
Kathy A. Runge, City Administrator/Clerk

## ANNUAL COMPLIANCE CHECKLIST

Name of Tax-Exempt Financing ("Certificates"):

*\$1,600,000 Certificates of Participation City of Twin Oaks, Missouri, Lessee Series 2017<sup>1</sup>*

Issue Date of Certificates:<sup>2</sup> *April 7, 2017*

Placed in Service Date of Financed Facility: \_\_\_\_\_

Name of Bond Compliance Officer: \_\_\_\_\_

Period Covered by Checklist ("Annual Period"): *April* \_\_\_\_\_ to *April* \_\_\_\_\_

Date of Checklist Completion (annually in June): *June* \_\_, \_\_\_\_

**Initial One-Time Requirement:** Has the Bond Compliance Officer assembled the Tax-Exempt Bond File?

☐ Yes. →

Remove this question from Checklist. Proceed to Topic 1.

☐ No. →

Consult the Tax Policy and Procedures for contents and guidelines for the Tax-Exempt Bond File, and assemble the file as soon as possible.

### 1. Ownership

Was the entire financed Facility owned by the Issuer during the entire Annual Period?

☐

Yes. → Proceed to Topic 2.

☐

No. →

Was an Opinion of Special Tax Counsel obtained prior to the transfer?

☐

Yes. Include a copy of the Opinion in the Tax-Exempt Bond File

☐

No. Contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File

<sup>1</sup> This Checklist does not include post-issuance compliance with securities laws because, at the time of adoption of the Resolution approving this Checklist, the City has no bonds that are not subject to post-issuance securities compliance. In the event the City issues bonds in the future that are subject to securities laws, this Checklist may be amended to include compliance with securities laws.

<sup>2</sup> This Checklist is adopted pursuant to that certain Bond Financing Compliance Policy and Procedure of the City dated April 5, 2017, which is applicable to the Certificates. The BCO should complete a separate Checklist for any future bonds issued after the Certificates.

## ANNUAL COMPLIANCE CHECKLIST

Page 2 of 5

### 2. Leases & Other Rights to Possession

During the Annual Period, was any part of the Financed Facility leased at any time pursuant to a lease or similar agreement for more than 50 days?

☐ No. → Proceed to Topic 3.

☐ Yes. →

Was an Opinion of Special Tax Counsel obtained prior to entering into the lease or other arrangement?

☐ Yes. *Include a copy of the Opinion in the Tax- Exempt Bond File*

☐ No. *Contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File*

### 3. Management or Service Agreement

During the Annual Period, was the management of all or any part of the operations of the Financed Facility assumed by or transferred to another entity?

☐ No. → Proceed to Topic 4

☐ Yes. →

Was an Opinion of Special Tax Counsel obtained prior to entering the management agreement?

☐ Yes. *Include a copy of the Opinion in the Tax- Exempt Bond File*

☐ No. *Contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File*

### 4. Other Use

Was any other agreement entered into with an individual or entity that grants special legal rights or privileges to such individual or entity that are not otherwise available to the general public to the financed Facility?

☐ No. → Proceed to Topic 5

☐ Yes. →

Was an Opinion of Special Tax Counsel obtained prior to entering into the agreement?

☐ Yes. *Include a copy of the Opinion in the Tax- Exempt Bond File*

☐ No. *Contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File*

## ANNUAL COMPLIANCE CHECKLIST

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### 5. Annual Reporting and Monitoring Requirements

During the Annual Period, has the City issued any new obligations, or refinanced the Certificates?

☐ No. —————▶

*Proceed to next question*

☐ Yes. —————▶

*Contact counsel to determine if there has been any change in the following: (a) the requirements under a new Tax Compliance Agreement from the Tax Compliance Agreement for the Certificates; OR (b) the requirement continuing disclosure under securities law?*

*\*Any new requirements should be incorporated into this checklist*

The Annual Report has or will be given to the Board of Alderman at or before the 2<sup>nd</sup> Regular Meeting of June.

☐ Yes. —————▶

*Proceed to next question*

☐ No. —————▶

*Contact City Attorney and incorporate report or include description of reason for delay, and add Annual report that would have been given to the Tax-Exempt Bond file*

During the Annual Period, were there any events of non-compliance with the tax compliance requirements?

☐ No. —————▶

*Proceed to next question*

☐ Yes. —————▶

*Make sure any remedial action was approved by the Board as required by Section 4.4 of the Tax Policy and Procedures, and place a copy of the approval and action taken in the Tax-Exempt Bond File*

For the next Annual Period, does the City plan to seek requests for proposals for depository banks?

☐ No. —————▶

*Proceed to next question*

☐ Yes. —————▶

*Contact City Attorney to discuss amendment to Lease Purchase Agreement Covenant Section 8.05 to maintain general operating account at Enterprise.*

During the City's budgeting process, did the City budget and appropriate amounts due under the Base Lease for the next fiscal year?

☐ Yes. —————▶

*Proceed to next question*

☐ No. —————▶

*Contact City Attorney to discuss providing notice to Purchaser and Trustee as required in Section 3.04 of the Lease Purchase Agreement*

## ANNUAL COMPLIANCE CHECKLIST

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Has the Bond Compliance Officer submitted audited financial reports to the Purchaser (Enterprise Bank & Trust) for the prior fiscal year on or before July 31<sup>st</sup>?

☐ Yes.    →

*Proceed to next question*

☐ No.    →

*Contact City Attorney to transmit the audited financial reports to the Purchaser as soon as possible*

Has the Bond Compliance Officer completed and signed this Annual Checklist and added a copy to the Tax-Exempt Bond File?

☐ Yes.    →

*Proceed to next question*

☐ No.    →

*Complete and add to file as soon as possible, or contact City Attorney to discuss reason for not completing*

Has the City transmitted to the Trustee (US Bank National Association) a certificate of insurance in accordance with the Insurance Requirements of §7.01(b) of the Lease Purchase Agreement?

☐ Yes.    →

*Proceed to next page.*

☐ No.    →

*Contact City Attorney to get a certificate of insurance to the Trustee before any written notice is issued, or if written notice issued, within 30 days of that written notice.*

**\*If the City self-insures through the Missouri Public Entity Risk Management Fund, reporting to the Trustee is not required (see Lease Purchase Agreement Section 7.01(d)).**

## ANNUAL COMPLIANCE CHECKLIST

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### 6. Temporary Compliance Requirements<sup>3</sup>

Arbitrage and Rebate: During the Annual Period, were proceeds of the Certificates spent as described in Article III of the Tax Compliance Agreement?

☐ Yes. →

*Proceed to next question*

☐ No. →

*Contact Special Tax Counsel and incorporate report or include description of resolution in the Tax-Exempt Bond File*

If the Annual Period is after April 7, 2020 (three years following the Issue Date), does the Issuer have any unspent Certificate proceeds?

☐ No. →

*Proceed to next question*

☐ Yes. →

*Contact Special Tax Counsel and incorporate report or include description of resolution in the Tax-Exempt Bond File*

During the Annual Period (check all that apply):

☐ Were all proceeds of the Certificates spent? or

☐ Was the Project Facility substantially completed? or

☐ Is the date of completion of this Checklist after **October 5, 2021** [four and one-half (4.5) years following the issue date of the Certificates]?

☐ If no boxes checked. → *Section 6 complete for this year. Prepare again next year.*

☐ If any boxes checked. → *If any of these questions is checked, the Bond Compliance Officer shall consult with the City Attorney to prepare a Final Written Allocation in accordance with §5.4 of the City's Bond Financing Compliance Policy and Procedure dated April 5, 2017, applicable laws, including Internal Revenue Code §141, 26 CFR §1-141.6 on Allocation and Accounting Rules, and related laws and regulations. The Allocation shall be reviewed by counsel for the City, signed by the Bond Compliance Officer, and added to the Tax-Exempt Bond File.*

Bond Compliance Officer: \_\_\_\_\_

Date Completed: \_\_\_\_\_

<sup>3</sup> Remove from list as completed.

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**CITY OF TWIN OAKS, MISSOURI**  
**BOND FINANCING COMPLIANCE POLICY AND PROCEDURE**  
**Dated as of April 5, 2017**

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# **BOND FINANCING COMPLIANCE POLICY AND PROCEDURE**

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## BOND FINANCING COMPLIANCE POLICY AND PROCEDURE

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions.** Capitalized words and terms used in this Compliance Procedure have the following meanings:

**“Annual Compliance Checklist”** means a questionnaire and/or checklist described in **Section 6.1** hereof that is completed each year for the Tax-Exempt Bonds.

**“Annual Report”** means the Issuer’s audited financial statements (or unaudited financial statements as permitted by the Continuing Disclosure Undertaking for the Tax-Exempt Bonds) and certain other financial information and operating data required to be filed annually with the MSRB for the Tax-Exempt Bonds.

**“Bond Compliance Officer”** means the Issuer’s City Administrator/Clerk or, if the position of City Administrator/Clerk is vacant, the person filling the responsibilities of the City Administrator/Clerk for the Issuer.

**“Bond Counsel”** means a law firm selected by the Issuer to provide a legal opinion regarding the tax status of interest on the Tax-Exempt Bonds as of the issue date or the law firm selected to advise the Issuer on matters referenced in this Compliance Procedure.

**“Bond Restricted Funds”** means the funds, accounts, and investments that are subject to arbitrage rebate and/or yield restriction rules that have been identified in the Tax Compliance Agreement for the Tax-Exempt Bonds.

**“Bond Transcript”** means the “transcript of proceedings” or other similarly titled set of transaction documents assembled by Bond Counsel following the issuance of the Tax-Exempt Bonds.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Compliance Procedure”** means this Bond Financing Compliance Policy and Procedure.

**“Continuing Disclosure Undertaking”** means the continuing disclosure agreement(s), continuing disclosure undertaking(s), continuing disclosure instructions or other written certification(s) of the Issuer setting out covenants for satisfying the Issuer’s requirements for providing information to the MSRB pursuant to SEC Rule 15c2-12 on an ongoing basis for one or more Tax-Exempt Bond issues.

**“Cost” or “Costs”** means all costs and expenses paid for the acquisition, design, construction, equipping or improvement of a Project Facility or costs of issuing Tax-Exempt Bonds for a Project Facility.

**“EMMA”** means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

**“Final Written Allocation”** means the Final Written Allocation of Tax-Exempt Bond proceeds prepared pursuant to **Section 5.4** of this Compliance Procedure.

**“Financed Assets”** means that part of a Project Facility treated as financed with Tax-Exempt Bond proceeds as reflected in a Final Written Allocation or, if no Final Written Allocation was prepared, the accounting records of the Issuer and the Tax Compliance Agreement for the Tax-Exempt Bonds.

**“Governing Body”** means the Board of Aldermen of the Issuer.

**“Intent Resolution”** means a resolution of the Issuer stating (1) the intent of the Issuer to finance all or a portion of the Project Facility, (2) the expected maximum size of the financing and (3) the intent of the Issuer to reimburse Costs of the Project Facility paid by the Issuer from proceeds of the Tax-Exempt Bonds.

**“IRS”** means the Internal Revenue Service.

**“Issuer”** means the City of Twin Oaks, Missouri.

**“MSRB”** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“Placed In Service”** means that date (as determined by the Bond Compliance Officer) when the Project Facility is substantially complete and in operation at substantially its design level.

**“Project Facility”** means all tangible or intangible property financed in whole or in part with Tax-Exempt Bonds that are (1) functionally related or integrated in use, (2) located on the same physical site or proximate sites, and (3) expected to be Placed In Service within a one-year period of each other.

**“Rebate Analyst”** means the rebate analyst for the Tax-Exempt Bonds selected pursuant to the Tax Compliance Agreement.

**“Regulations”** means all regulations issued by the U.S. Treasury Department to implement the provisions of Code §§ 103 and 141 through 150 and applicable to tax-exempt obligations.

**“Tax Compliance Agreement”** means the Federal Tax Certificate, Tax Compliance Agreement, Arbitrage Agreement, or other written certification or agreement of the Issuer setting out representations and covenants for satisfying the post-issuance tax compliance requirements for the Tax-Exempt Bonds.

**“Tax-Exempt Bonds”** means any bond, note, installment sale agreement, lease or certificate intended to be a debt obligation of the Issuer or another political subdivision or government instrumentality, the proceeds of the which are to be loaned or otherwise made available to the Issuer, and the interest on which is excludable from gross income for federal income tax purposes. A list of all Tax-Exempt Bonds outstanding and subject to this Compliance Procedure as of April 5, 2017, is attached as **Exhibit A**.

**“Tax-Exempt Bond File”** means documents and records which may consist of paper and electronic medium, maintained for the Tax-Exempt Bonds. Each Tax-Exempt Bond File will include the following information if applicable:

- (a) Intent Resolution.
- (b) Bond Transcript.

- (c) Final Written Allocation and/or all available accounting records related to the Project Facility showing expenditures allocated to the proceeds of the Tax-Exempt Bonds and expenditures (if any) allocated to other sources of funds.
- (d) All rebate and yield reduction payment calculations performed by the Rebate Analyst and all investment records provided to the Rebate Analyst for purposes of preparing the calculations.
- (e) Forms 8038-T together with proof of filing and payment of rebate.
- (f) Investment agreement bid documents (unless included in the Bond Transcript) including:
  - (1) bid solicitation, bid responses, certificate of broker;
  - (2) written summary of reasons for deviations from the terms of the solicitation that are incorporated into the investment agreement; and
  - (3) copies of the investment agreement and any amendments.
- (g) Any item required to be maintained by the terms of the Tax Compliance Agreement involving the use of the Project Facility or expenditures related to tax compliance for the Tax-Exempt Bonds.
- (h) Any opinion of Bond Counsel regarding the Tax-Exempt Bonds not included in the Bond Transcript.
- (i) Amendments, modifications or substitute agreements to any agreement contained in the Bond Transcript.
- (j) Any correspondence with the IRS relating to the Tax-Exempt Bonds including all correspondence relating to an audit by the IRS of the Tax-Exempt Bonds or any proceedings under the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP).
- (k) Any available questionnaires or correspondence substantiating the use of the Project Facility in accordance with the terms of the Tax Compliance Agreement for the Tax-Exempt Bonds.
- (l) For refunding bond issues, the Tax-Exempt Bond File for the refunded Tax-Exempt Bonds.

## ARTICLE II

### PURPOSE AND SCOPE

#### **Section 2.1. Purpose of Compliance Procedure.**

(a) The Issuer uses Tax-Exempt Bonds to fund Costs of a Project Facility. The Issuer understands that in exchange for the right to issue Tax-Exempt Bonds at favorable interest rates and terms, the Code and Regulations impose ongoing requirements related to the proceeds of the Tax-Exempt Bonds and the Project Facility financed by the Tax-Exempt Bonds. These requirements focus on the investment, use and expenditure of proceeds of the Tax-Exempt Bonds and related funds as well as restrictions on the use of the Project Facility.

(b) The Issuer recognizes that the IRS has stated that all issuers of Tax-Exempt Bonds should have separate written procedures regarding ongoing compliance with the federal tax requirements for Tax-Exempt Bonds.

(c) The Issuer is required under the Continuing Disclosure Undertaking to provide disclosures of certain financial information and operating data and to file notices of certain material

events to the marketplace to facilitate informed secondary market trading in Tax-Exempt Bonds issued by the Issuer.

(d) The Issuer is committed to full compliance with the tax and securities law requirements for all of its outstanding and future tax-exempt financings. This Compliance Procedure is adopted by the Governing Body to comply with the IRS and SEC directives and to improve tax and securities law compliance and documentation.

**Section 2.2. Scope of Compliance Procedure; Conflicts.** This Compliance Procedure applies to all Tax-Exempt Bonds currently outstanding and all Tax-Exempt Bonds issued in the future. If the provisions of this Compliance Procedure conflict with a Tax Compliance Agreement, the Continuing Disclosure Undertaking or any other specific written instructions of Bond Counsel, the terms of the Tax Compliance Agreement, Continuing Disclosure Undertaking or specific written instructions of Bond Counsel will supersede and govern in lieu of this Compliance Procedure. Any exception to this Compliance Procedure required by Bond Counsel as part of a future issue of Tax-Exempt Bonds will be incorporated in the Tax Compliance Agreement for the future issue. Any requirements imposed on the Issuer in the Tax Compliance Agreement, will be noted by the Bond Compliance Officer and incorporated into the Annual Compliance Checklist. The Issuer acknowledges that the Continuing Disclosure Undertaking may also apply to one or more issues of taxable securities issued by the Issuer.

**Section 2.3. Amendments and Publication of Compliance Procedure.** This Compliance Procedure may be amended from time-to-time by the Governing Body. Copies of this Compliance Procedure and any amendments will be included in the permanent records of the Issuer.

### ARTICLE III

#### BOND COMPLIANCE OFFICER; TRAINING

**Section 3.1. Bond Compliance Officer Duties.** The Bond Compliance Officer is responsible for implementing this Compliance Procedure. The Bond Compliance Officer will work with other employees that use the Project Facility to assist in implementing this Compliance Procedure. The Bond Compliance Officer will consult with Bond Counsel, legal counsel to the Issuer, accountants, tax return preparers and other outside experts to the extent necessary to carry out the purposes of this Compliance Procedure. The Bond Compliance Officer will report to the Governing Body as necessary, and at least annually, regarding implementation of this Compliance Procedure and any recommended changes or amendments to this Compliance Procedure.

**Section 3.2. Training.** When appropriate, the Bond Compliance Officer and/or other employees of the Issuer under the direction of the Bond Compliance Officer will attend training programs offered by the IRS or other industry professionals regarding tax-exempt financing that are relevant to the Issuer. At the time the individual acting as the Bond Compliance Officer passes the responsibilities for carrying out the provisions of this Compliance Procedure to another individual, the outgoing Bond Compliance Officer is responsible for training the incoming individual acting as Bond Compliance Officer to ensure the Issuer's continued compliance with the provisions of this Compliance Procedure and all Tax Compliance Agreements for any outstanding Tax-Exempt Bonds.

## ARTICLE IV

### TAX-EXEMPT BONDS CURRENTLY OUTSTANDING

**Section 4.1. Tax-Exempt Bonds Covered by Article IV Procedures.** This Article IV applies to all Tax-Exempt Bonds issued prior to the date of this Compliance Procedure that are currently outstanding. These Tax-Exempt Bonds are listed on **Exhibit A**.

**Section 4.2. Tax-Exempt Bond File.** As soon as practical, the Bond Compliance Officer will attempt to assemble as much of the Tax-Exempt Bond File as is available for the Tax-Exempt Bonds listed on **Exhibit A**.

**Section 4.3. Annual Compliance Checklists.** As soon as practical following the adoption of this Compliance Procedure, the Bond Compliance Officer will work with Bond Counsel and/or legal counsel to the Issuer and cause Annual Compliance Checklists to be completed for all outstanding Tax-Exempt Bonds and will follow the procedures specified in **Article VI** to complete the Annual Compliance Checklists and thereafter include each completed Annual Compliance Checklist in the Tax-Exempt Bond File.

**Section 4.4. Correcting Prior Deficiencies in Compliance.** In the event the Bond Compliance Officer determines any deficiency in compliance with a Tax Compliance Agreement for an outstanding Tax-Exempt Bond listed on **Exhibit A**, the Bond Compliance Officer will follow the procedures described in the Regulations or the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP) to remediate the noncompliance. If remediation of the noncompliance requires the Issuer to submit a request under VCAP, the Bond Compliance Officer will undertake this step only after reporting the violation to the Governing Body and obtaining its approval.

## ARTICLE V

### COMPLIANCE PROCEDURE FOR NEW TAX-EXEMPT BOND ISSUES

**Section 5.1. Application.** This Article V applies to Tax-Exempt Bonds issued on or after the date of this Compliance Procedure.

**Section 5.2. Prior to Issuance of Tax-Exempt Bonds.**

(a) Intent Resolution. The Governing Body will authorize and approve the issuance of Tax-Exempt Bonds. Prior to or as a part of this authorizing resolution or ordinance, the Governing Body may adopt an Intent Resolution.

(b) Directions to Bond Counsel. The Bond Compliance Officer will provide a copy of this Compliance Procedure to Bond Counsel with directions for Bond Counsel to structure the documentation and procedural steps taken prior to issuing the Tax-Exempt Bonds so that they conform to the requirements of this Compliance Procedure, except to the extent Bond Counsel determines that different procedures are required. The Bond Compliance Officer will consult with Bond Counsel so that appropriate provisions are made to fund or reimburse the Issuer's costs and expenses incurred to implement this Compliance Procedure.

(c) Tax Compliance Agreement. For each issuance of Tax-Exempt Bonds, a Tax Compliance Agreement will be delivered to the Bond Compliance Officer. The Tax Compliance

Agreement will (1) describe the Project Facility and the anticipated Financed Assets, (2) identify all Bond Restricted Funds and provide for arbitrage and rebate compliance, (3) for new money financings, require a Final Written Allocation, and (4) contain a form of the Annual Compliance Checklist for the Tax-Exempt Bonds. The Bond Compliance Officer will confer with Bond Counsel and the Issuer's counsel regarding the meaning and scope of each representation and covenant contained in the Tax Compliance Agreement.

(d) Preliminary Cost Allocations. For each issuance of Tax-Exempt Bonds, the Bond Compliance Officer in consultation with Bond Counsel, will prepare a preliminary cost allocation plan for the Project Facility. The preliminary cost allocation plan will identify the assets and expected costs for the Project Facility, and when necessary, will break-out the portions of Costs that are expected to be financed with proceeds of the Tax-Exempt Bonds (the "Financed Assets") and the portions, if any, expected to be financed from other sources.

(e) Tax Review with Bond Counsel. Prior to the sale of Tax-Exempt Bonds, the Bond Compliance Officer and Bond Counsel will review this Compliance Procedure together with the draft Tax Compliance Agreement to ensure that any tax compliance issues in the new financing are adequately addressed by this Compliance Procedure and/or the Tax Compliance Agreement. If Bond Counsel determines that this Compliance Procedure conflicts with the Tax Compliance Agreement, or must be supplemented to account for special issues or requirements for the Tax-Exempt Bonds, the Bond Compliance Officer will ask Bond Counsel to include the written modifications or additions in the final Tax Compliance Agreement. The Bond Compliance Officer will request Bond Counsel to prepare a form of Annual Compliance Checklist for use in monitoring the ongoing compliance requirements for the Tax-Exempt Bonds.

### **Section 5.3. Accounting and Recordkeeping.**

(a) Accounting for New Money Projects. The Bond Compliance Officer will be responsible for accounting for the investment and allocation of proceeds of the Tax-Exempt Bonds. The Bond Compliance Officer will establish separate accounts or subaccounts to record expenditures for Costs of the Project Facility. Where appropriate, the Bond Compliance Officer may use accounts established as part of the Issuer's financial records for this purpose. In recording Costs for the Project Facility, the Bond Compliance Officer will ensure that the accounting system will include the following information: (1) identity of person or business paid, along with any other available narrative description of the purpose for the payment, (2) date of payment, (3) amount paid, and (4) invoice number or other identifying reference.

(b) Accounting for Refunded Bonds and Related Refunded Bond Accounts. For Tax-Exempt Bonds that are issued to refund prior Tax-Exempt Bonds, the Tax Compliance Agreement will set out special accounting and allocation procedures for the proceeds of the financing, and if necessary proceeds of the refinanced Tax-Exempt Bonds.

(c) Tax-Exempt Bond File. The Bond Compliance Officer will be responsible for assembling and maintaining the Tax-Exempt Bond File. The Annual Reports, other reports and notices of certain material events filed by the Issuer with the MSRB will be publicly available on EMMA and need not be separately maintained in the Tax-Exempt Bond File.

### **Section 5.4. Final Allocation of Bond Proceeds.**

(a) Preparation of Final Written Allocation; Timing. The Bond Compliance Officer is responsible for making a written allocation of proceeds of Tax-Exempt Bonds to expenditures and

identifying the Financed Assets. This process will be memorialized in the Final Written Allocation. For a new money financing, the Bond Compliance Officer will commence this process as of the earliest of (1) the requisition of all Tax-Exempt Bond proceeds from any segregated Tax-Exempt Bond funded account, (2) the date the Project Facility has been substantially completed or (3) four and one-half years following the issue date of the Tax-Exempt Bonds. For Tax-Exempt Bonds issued only to refund a prior issue of Tax-Exempt Bonds, the Bond Compliance Officer will work with Bond Counsel to prepare and/or document the Final Written Allocation for the Project Facility financed by the refunded Tax-Exempt Bonds and include it in the Tax Compliance Agreement.

(b) Contents and Procedure. The Bond Compliance Officer will consult the Tax Compliance Agreement and, if necessary, contact Bond Counsel to seek advice regarding any special allocation of Tax-Exempt Bond proceeds and other money of the Issuer to the Costs of the Project Facility. If no special allocation is required or recommended, the Bond Compliance Officer will allocate Costs of the Project Facility to the proceeds of the Tax-Exempt Bonds in accordance with the Issuer's accounting records. Each Final Written Allocation will contain the following: (1) a reconciliation of the actual sources and uses to Costs of the Project Facility, (2) the percentage of the cost of the Project Facility financed with proceeds of the Tax-Exempt Bonds (sale proceeds plus any investment earnings on those sale proceeds), (3) the Project Facility's Placed in Service date, (4) the estimated economic useful life of the Project Facility, and (5) any special procedures to be followed in completing the Annual Compliance Checklist (e.g., limiting the Annual Compliance Checklist to specific areas of the Project Facility that the Final Written Allocation or the Tax Compliance Agreement treats as having been financed by Tax-Exempt Bonds).

(c) Finalize Annual Compliance Checklist. As part of the preparation of the Final Written Allocation, the Bond Compliance Officer will update the draft Annual Compliance Checklist contained in the Tax Compliance Agreement. The Bond Compliance Officer will include reminders for all subsequent arbitrage rebate computations required for the Tax-Exempt Bonds in the Annual Compliance Checklist.

(d) Review of Final Written Allocation and Annual Compliance Checklist. Each Final Written Allocation and Annual Compliance Checklist will be reviewed by legal counsel to the Issuer or Bond Counsel for sufficiency and compliance with the Tax Compliance Agreement and this Compliance Procedure. Following the completion of the review, the Bond Compliance Officer will execute the Final Written Allocation.

## ARTICLE VI

### ONGOING MONITORING PROCEDURES

**Section 6.1. Annual Compliance Checklist.** An Annual Compliance Checklist will be completed by the Bond Compliance Officer each year following completion of the Final Written Allocation. Each Annual Compliance Checklist will be designed and completed for the purpose of identifying potential noncompliance with the terms of the Tax Compliance Agreement or this Compliance Procedure and obtaining documents (such as investment records, arbitrage calculations, or other documentation for the Project Facility) that are required to be incorporated in the Tax-Exempt Bond File. The Bond Compliance Officer will refer any responses indicating a violation of the terms of the Tax Compliance Agreement to legal counsel to the Issuer or Bond Counsel and, if recommended by counsel, will follow the procedure set out in **Section 4.4** hereof to remediate the non-compliance.

**Section 6.2. Arbitrage and Rebate Compliance.** The Bond Compliance Officer will monitor the investment of Bond Restricted Funds and provide investment records to the Rebate Analyst



on a timely basis. The Bond Compliance Officer will follow the directions of the Rebate Analyst with respect to the preparation of and the timing of rebate or yield reduction computations.

## ARTICLE VII

### CONTINUING DISCLOSURE

**Section 7.1. Annual Disclosure Filings.** For each issuance of Tax-Exempt Bonds, the Bond Compliance Officer will review the Continuing Disclosure Undertaking, if any, to determine the financial information and operating data required to be included in the Annual Report to be filed by the Issuer with the MSRB on EMMA. The Bond Compliance Officer will cause the Annual Report to be filed with the MSRB on EMMA within the timeframe provided in the Continuing Disclosure Undertaking for the Tax-Exempt Bonds.

**Section 7.2. Material Event Disclosure Filings.** For each outstanding issue of Tax-Exempt Bonds, the Bond Compliance Officer will review the Continuing Disclosure Undertaking, if any, to determine the “material events” that require prompt notice to be filed with the MSRB. Generally, the occurrence of any of the following events with respect to the Tax-Exempt Bonds represents a “material event.”

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

After obtaining actual knowledge of the occurrence of any event that the Bond Compliance Officer believes may constitute an event requiring disclosure, the Bond Compliance Officer will contact Bond Counsel if a question exists as to whether a notice of the event is required to be given to the MSRB under the Continuing Disclosure Undertaking. If it is determined that notice should be provided to the

MSRB or is required to be provided to the MSRB by the Continuing Disclosure Undertaking, the Bond Compliance Officer will cause the appropriate notice to be filed with the MSRB on EMMA within 10 business days after the occurrence of the event or as otherwise directed by Bond Counsel.

ADOPTED BY THE BOARD OF ALDERMEN OF THE CITY OF TWIN OAKS, MISSOURI ON  
APRIL 5, 2017.

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**TAX COMPLIANCE AGREEMENT**

**Dated as of April 1, 2017**

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**Between**

**CITY OF TWIN OAKS, MISSOURI,**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

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**\$1,600,000**

**Certificates of Participation  
(City of Twin Oaks, Missouri, Lessee)  
Series 2017**

**Evidencing a Proportionate Interest of the Owners Thereof  
in Basic Rent Payments to be Made by the  
City of Twin Oaks, Missouri  
Pursuant to an Annually-Renewable Lease Purchase Agreement**

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### **ARTICLE III**

#### **ARBITRAGE CERTIFICATIONS AND COVENANTS**

**Section 3.1. General.** The purpose of this Article is to certify, under Regulations § 1.148-2(b), the Issuer's expectations as to the sources, uses and Investment of Certificate proceeds and other money, in order to support the Issuer's conclusion that the Lease is not an arbitrage bond. The persons executing this Tax Agreement on behalf of the Issuer are officers of the Issuer responsible for delivering the Lease and authorizing the Trustee to deliver the Certificates.

**Section 3.2. Reasonable Expectations.** The facts, estimates and expectations set forth in this Article III are based upon and in reliance upon the Issuer's understanding of the documents and certificates that comprise the Transcript, and the representations, covenants and certifications of the

parties contained therein. To the Issuer's knowledge, the facts and estimates set forth in this Tax Agreement are accurate, and the expectations of the Issuer set forth in this Tax Agreement are reasonable. The Issuer has no knowledge that would cause it to believe that the representations, warranties and certifications described in this Tax Agreement are unreasonable or inaccurate or may not be relied upon.

**Section 3.3. Purpose of Financing.** The Lease is being executed and the Certificates are being delivered for the purpose of providing funds to finance the Financed Facility and pay certain costs in connection with the execution and delivery of the Lease and the Certificates.

**Section 3.4. Funds and Accounts.** The Lease Revenue Fund and the Project Fund have been established under the Declaration.

**Section 3.5. Amount and Use of Certificate Proceeds and Other Moneys.**

(a) *Amount of Certificate Proceeds.* The total proceeds to be received by the Issuer from the sale of the Certificates will be \$1,600,000.

(b) *Use of Certificate Proceeds.* The Certificate proceeds are expected to be deposited in the Project Fund and used to pay costs of the Financed Facility.

(c) *Use of Other Moneys.* The Issuer shall use other legally available funds to pay the Costs of Delivery of the Certificates.

**Section 3.6. Multipurpose Issue.** Pursuant to Regulations § 1.148-9(h), the Issuer is applying the arbitrage rules to separate financing purposes of the issue that have the same initial temporary period as if they constitute a single issue for purposes of applying the arbitrage rules.

**Section 3.7. No Advance Refunding.** No proceeds of the Certificates will be used more than 90 days following the Issue Date to pay principal or interest on any other debt obligation.

**Section 3.8. No Current Refunding.** No proceeds of the Certificates will be used to pay principal or interest on any other debt obligation.

**Section 3.9. Project Completion.** The Issuer has incurred, or will incur within six months after the Issue Date, a substantial binding obligation to a third party to spend at least 5% of the Net Proceeds of the Certificates on the Financed Facility. The completion of the Financed Facility and the allocation of the Net Proceeds of the Certificates to expenditures will proceed with due diligence. At least 85% of the Net Proceeds of the Certificates will be allocated to expenditures on the Financed Facility within three years after the Issue Date.

**Section 3.10. Sinking Funds.** The Issuer is required to make periodic payments in amounts sufficient to pay the Basic Rent Payments. Such payments will be deposited into the Lease Revenue Fund. Except for the Lease Revenue Fund, no sinking fund or other similar fund that is expected to be used to pay Basic Rent Payments has been established or is expected to be established. The Lease Revenue Fund is used primarily to achieve a proper matching of revenues with the Basic Rent Payments within each Certificate Year, and the Issuer expects that the Lease Revenue Fund will qualify as a Bona Fide Debt Service Fund.

**Section 3.11. Reserve, Replacement and Pledged Funds.**

(a) *Debt Service Reserve Fund.* No reserve or replacement fund has been established for the Certificates.

(b) *No Other Replacement or Pledged Funds.* None of the Certificate proceeds will be used as a substitute for other funds that were intended or earmarked to pay costs of the Financed Facility, and that instead have been or will be used to acquire higher yielding Investments. Except for the Lease Revenue Fund, there are no other funds pledged or committed in a manner that provides a reasonable assurance that such funds would be available for Basic Rent Payments if the Issuer encounters financial difficulty.

**Section 3.12. Purpose Investment Yield.** The proceeds of the Certificates will not be used to purchase an Investment for the purpose of carrying out the governmental purpose of the financing.

**Section 3.13. Offering Prices and Yield on Certificates.**

(a) *Offering Prices.* In the Purchaser's Receipt and Representations, the Purchaser has certified that it has purchased all of the Certificates as principal for its own accounts and has not acted as agent for any person or entity. As of the date hereof, the Purchaser has not sold and has no present intention to sell the Certificates to any person. The aggregate initial offering price of the Certificates is \$1,600,000, without accrued interest.

(b) *Certificate Yield.* Based on the offering price, the Yield on the Lease is 4.0001022%, as computed by Special Tax Counsel as shown on **Exhibit A**. The Issuer has not entered into an interest rate swap agreement with respect to any portion of the proceeds of the Certificates.

**Section 3.14. Miscellaneous Arbitrage Matters.**

(a) *No Abusive Arbitrage Device.* The Lease is not and will not be part of a transaction or series of transactions that has the effect of (1) enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (2) overburdening the tax-exempt bond market.

(b) *No Over-Issuance.* The sale proceeds of the Certificates, together with expected Investment earnings thereon, do not exceed the cost of the governmental purpose of the Lease as described above.

**Section 3.15. Conclusion.** On the basis of the facts, estimates and circumstances set forth in this Tax Agreement, the Issuer does not expect that the Certificate proceeds will be used in a manner that would cause the Lease or any Certificate to be an "arbitrage bond" within the meaning of Code § 148 and the Regulations.

# EXHIBIT A

## DEBT SERVICE SCHEDULE AND PROOF OF CERTIFICATE YIELD

\$1,600,000.00

City of Twin Oaks, Missouri

Certificates of Participation, (City of Twin Oaks, Missouri, Lessee), Series 2017

### Schedule of Certificates Payments

Payment Date	Amort. Pmt. No.	Interest Rate	Payments			Principal Balance	Bond Years
			Interest	Principal	Total		
4/7/2017							
4/7/2017	-					\$ 1,600,000.00	-
10/1/2017	1	4.000%	30,933.33	40,459.85	71,393.18	1,559,540.15	19.556
4/1/2018	2	4.000%	31,190.80	40,202.38	71,393.18	1,519,337.77	39.532
10/1/2018	3	4.000%	30,386.76	41,006.42	71,393.18	1,478,331.35	60.826
4/1/2019	4	4.000%	29,566.63	41,826.55	71,393.18	1,436,504.80	82.956
10/1/2019	5	4.000%	28,730.10	42,663.08	71,393.18	1,393,841.72	105.947
4/1/2020	6	4.000%	27,876.83	43,516.35	71,393.18	1,350,325.37	129.824
10/1/2020	7	4.000%	27,006.51	44,386.67	71,393.18	1,305,938.70	154.614
4/1/2021	8	4.000%	26,118.77	45,274.41	71,393.18	1,260,664.29	180.343
10/1/2021	9	4.000%	25,213.29	46,179.89	71,393.18	1,214,484.40	207.040
4/1/2022	10	4.000%	24,289.69	47,103.49	71,393.18	1,167,380.91	234.732
10/1/2022	11	4.000%	23,347.62	48,045.56	71,393.18	1,119,335.35	263.450
4/1/2023	12	4.000%	22,386.71	49,006.47	71,393.18	1,070,328.88	293.222
10/1/2023	13	4.000%	21,406.58	49,986.60	71,393.18	1,020,342.28	324.080
4/1/2024	14	4.000%	20,406.85	50,986.33	71,393.18	969,355.95	356.055
10/1/2024	15	4.000%	19,387.12	52,006.06	71,393.18	917,349.89	389.179
4/1/2025	16	4.000%	18,347.00	53,046.18	71,393.18	864,303.71	423.485
10/1/2025	17	4.000%	17,286.07	54,107.11	71,393.18	810,196.60	459.009
4/1/2026	18	4.000%	16,203.93	55,189.25	71,393.18	755,007.35	495.783
10/1/2026	19	4.000%	15,100.15	56,293.03	71,393.18	698,714.32	533.846
4/1/2027	20	4.000%	13,974.29	698,714.32	712,688.61	-	6,975.498
Total			469,159.03	1,600,000.00	2,069,159.03		11,728.975

### Certificates Statistics

Principal amount	\$ 1,600,000.00	Day-Count Method	30/360
Interest rate	4.000%	Computed Payment Amount	\$71,439.88
Dated date	4/7/2017	Actual Payment Amount	\$71,393.18
Issue date	4/7/2017	Days of accrued interest	-
First interest payment	10/1/2017	Accrued interest	\$0.00
First principal payment	10/1/2017	Bond years	11,728.975
Last payment	4/1/2032		
No. of principal payments per year	2	Weighted avg. maturity (years)	7.3306
Total no. of principal payments	30	Certificates yield	4.000102%
Denomination	0.01	Net interest cost	4.000000%

**\$1,600,000.00**  
**City of Twin Oaks, Missouri**  
**Certificates of Participation, (City of Twin Oaks, Missouri, Lessee), Series 2017**

**Proof of Arbitrage Yield**

<b>Payment Date</b>	<b>Days After Closing</b>	<b>Certificates Payments</b>	<b>Pres. Val. Factor 4.00010%</b>	<b>Present Value to 4/7/2017</b>
4/7/2017				
4/7/2017	-	-	1.0000000	-
10/1/2017	174	71,393.18	0.9810390	70,039.50
4/1/2018	354	71,393.18	0.9618025	68,666.14
10/1/2018	534	71,393.18	0.9429432	67,319.71
4/1/2019	714	71,393.18	0.9244536	65,999.68
10/1/2019	894	71,393.18	0.9063266	64,705.54
4/1/2020	1,074	71,393.18	0.8885551	63,436.77
10/1/2020	1,254	71,393.18	0.8711320	62,192.88
4/1/2021	1,434	71,393.18	0.8540505	60,973.38
10/1/2021	1,614	71,393.18	0.8373040	59,777.80
4/1/2022	1,794	71,393.18	0.8208859	58,605.65
10/1/2022	1,974	71,393.18	0.8047897	57,456.49
4/1/2023	2,154	71,393.18	0.7890091	56,329.87
10/1/2023	2,334	71,393.18	0.7735379	55,225.33
4/1/2024	2,514	71,393.18	0.7583701	54,142.46
10/1/2024	2,694	71,393.18	0.7434998	53,080.81
4/1/2025	2,874	71,393.18	0.7289210	52,039.99
10/1/2025	3,054	71,393.18	0.7146281	51,019.57
4/1/2026	3,234	71,393.18	0.7006154	50,019.16
10/1/2026	3,414	71,393.18	0.6868775	49,038.37
4/1/2027	3,594	712,688.61	0.6734090	479,930.90
<b>Total</b>		<b>2,069,159.03</b>		<b>1,600,000.00</b>

**Yield Target Amount:**

Principal	1,600,000.00
Original issue premium/discount	-
Sale proceeds	1,600,000.00
Accrued interest	-
<b>Total</b>	<b>1,600,000.00</b>

Difference (0.00)

Certificates yield 4.0001022%



**EXHIBIT A**

**LIST OF TAX-EXEMPT BONDS COVERED BY THIS COMPLIANCE PROCEDURE**

Certificates of Participation (City of Twin Oaks, Missouri, Lessee), Series 2017<sup>1,2</sup>

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<sup>1</sup> Expected to be delivered on April 7, 2017.

<sup>2</sup> Article VII of this Policy is not applicable to the Series 2017 Certificates.