



CONVENTION AND VISITORS AUTHORITY

POLICY NO. FIN-28	DATE 7/10	OFFICE OF PRIMARY RESPONSIBILITY (OPR) Finance
Title: DEBT ISSUANCE COMPLIANCE POLICY		

1) POLICY

This policy establishes the requirements and procedures for ensuring compliance with federal laws relating to the issuance and post-issuance monitoring of tax-exempt bonds and taxable Direct Pay Bonds. The Las Vegas Convention and Visitors Authority (LVCVA, the "Authority") is authorized to issue revenue bonds, pursuant to Nevada Revised Statutes ("NRS") 244A.597 to 244A.633, inclusive (the "Project Act") and NRS 350.500 to 350.750, inclusive (the "Bond Act"). The Authority is also authorized to issue general obligation bonds, on behalf of and in the name of Clark County, pursuant to the constitution and laws of the State, NRS sections 350.500 through 350.750, Chapter 348.

2) RESPONSIBILITIES

This policy statement represents the objectives of the management and Board of Directors and will be adhered to by all employees, officials, and financial representatives affiliated with the LVCVA. The Authority shall comply with all federal tax laws related to tax-exempt bonds, Direct Pay bonds, and bond financed facilities prior to and after issuance. The Authority shall have procedures in place to ensure compliance with this policy including the retention of relevant documents. The Vice President of Finance (VPF) is assigned the primary responsibility to monitor compliance with federal tax requirements for the Authority's bond programs. The VPF may assign staff responsibility for certain components of this policy, (see Exhibit B).

3) GUIDELINES

A) Tax-Exempt Bond Issuances

With respect to tax-exempt bonds, the LVCVA pledges that it will monitor and control the receipt, investment, expenditure and use of all bond proceeds and will take or omit to take any actions to cause interest on tax-exempt bonds to remain excludable from the gross income of bondholders. (United States Internal Revenue Code (the "Code"), §103 and 141 through 150).

B) Direct Pay Bond Issuances

As part of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), Congress added §54AA and 6431 to the Code, which permits the Authority to obtain certain tax advantages when issuing taxable obligations for capital projects that meet certain requirements of the Tax Code and Treasury regulations. Such bonds are referred to as "Build America Bonds (BAB's)."

- i) BAB's election - upon issuance, the Authority will make the irrevocable election to have the special rule for qualified bonds apply. Interest on qualified BAB's is included in bond holder's gross income for federal income tax purposes and owners of the bonds will not receive any tax credits as a result of ownership.
- ii) Investor information – representatives of the Authority, including it's financial advisors, will not make statements to investors or other interested parties that imply any tax credits or income exclusions will apply.
- iii) Available Project Proceeds – 100% of available project proceeds must be used only for capital expenditures. Available project proceeds are the proceeds the Authority receives from the bonds minus proceeds it is allowed to spend on costs of issuance, minus proceeds allowed to fund a reasonably required reserve (up to 10%), plus earnings from investments.

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- iv) 2% Cost of Issuance limitation – the VPF, through our financial advisors, will ensure the financed portion of costs to issue the bonds do not exceed 2% of the proceeds of the sale.
- v) De minimis premium - the VPF, with the guidance of financial advisors, will ensure that no maturities are issued with more than the de minimis amount of premium as required by §54AA(d)(2)(C).
- vi) Secondary market trading - the VPF, through our financial advisors, will review secondary market trading activity for Direct Pay bonds for the period between the sale date and the delivery date (date of issue) to determine if any of the bonds traded at a price greater than the issue price.
- vii) Timely expenditure – expenditure of bond proceeds shall be reviewed by the VPF no less than annually, to ensure (a) proceeds are spent for the purpose stated in the Authorizing Proceedings and as described in the tax documents and (b) proceeds, together with investment earnings on such proceeds, are spent within the timeframes described in the Tax Documents.

C) Private Activity Limitation

Section 141 of the Code sets forth private activity tests for the purpose of limiting the volume of tax-exempt bonds that finance activities of persons other than state and local governmental entities. These tests serve to identify arrangements that actually or reasonably expect to transfer the benefits of tax-exempt financing to non-governmental persons, including the federal government. Following the issuance of bonds for the financing of property, the VPF shall provide to the users of the property a copy of this Compliance Policy and other appropriate written guidance advising that:

- i) “Private business use” means use by any person other than the Authority, including business corporations, partnerships, limited liability companies, associations, non-profit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain “qualified” management or service contracts), “naming rights” contract, “public-private partnership” arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond finance property;
- ii) No more that 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any “unrelated” private business use – that is, generally, a private business use that is not functionally related to the government’s purposes of the bonds; and no more that the lesser of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit;
- iii) Before entering into any special use arrangement with a non-governmental person that involves the use of bond financed property, the user must consult with the VPF, provide the VPF with a description of the proposed non-governmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property;
- iv) In connection with the evaluation of any proposed non-governmental use arrangement, the VPF will consult with bond counsel to obtain federal tax advice in whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property, and, if not, whether any “remedial action” permitted under §141 of the Code may be taken as means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds.

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D) Information Filing and Monitoring

At the time of issuance and throughout the bond life, issuers of governmental bonds must comply with certain information filing requirements under §149(e) of the Code (See Attachment C).

- i) Tax-exempt bonds: IRS Form **8038-G** (Information Return for Tax-Exempt Governmental Obligations) must be filed by the 15th day of the second calendar month following the quarter in which the bonds were issued. For example, the due date of Form 8038-G for bonds issued on February 15th is May 15th.
- ii) Direct Pay (BAB's) bonds: IRS Form **8038-B** (Information Return for Build America Bonds) must be filed by the 15th day of the second calendar month following the quarter in which the bonds were issued.
- iii) The VPF works with the Authority's bond counsel to complete and file each applicable Form **8038-G** and **8038-B** by the required due date after each bond issue.
- iv) Interest Rebate on Direct Pay (BAB's) bonds: IRS Form **8038-CP** (Return for Credit Payment for Qualified Bonds) must be filed no later than 45 days before the related interest payment date, but no earlier than 90 days before the payment date. The VPF will verify bond interest payable semi-annually 90 days before debt service payments are due and determine the refundable credit allowed for the interest portion of the payment. Federal rebates are payable only to the Authority and will be credited to the related debt service fund.
- v) IRS Form **8038-T** (Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate) must be filed within 60 days after each five year period reporting deadline or within 60 days after the debt is retired, if arbitrage rebate applies (See Section E).

E) Arbitrage Rebate

Tax-exempt obligations provide a less expensive means of financing than other conventional approaches, resulting in a significant interest savings benefit. The federal government has imposed a variety of rules to restrict the use of tax-exempt financing to prevent potential abuse. It is the LVCVA's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law.

- i) Definition of "arbitrage" – the ability to obtain tax-exempt proceeds and invest those funds in higher yielding securities, resulting in a profit to the issuer. Arbitrage is the difference (profit) earned.
- ii) Timeline – an arbitrage rebate installment payment is required to be paid no later than 60 days after the end of every 5th bond year throughout the term of a bond issue and within 60 days of retirement of the bonds.
- iii) Exceptions – there are two exceptions to the general rebate requirements applicable to government bond proceeds: the small issuer exception and spending exceptions. The small issuer exception does not usually apply to the Authority due to the size of its bond issues. However, the spending exceptions can apply (see Attachment A).
- iv) Monitoring – the VPF will monitor ongoing compliance with regards to arbitrage liabilities and will monitor expenditures prior to semi-annual target dates for six-month, 18-month, or 24 month spending exceptions (see Attachment A).
- v) "Bona fide" debt service funds – when possible, debt service funds will be accounted for and funded to achieve a proper matching of revenues with principal and interest payments within each bond year so the earnings are exempt from arbitrage rebate (see Attachment A).
- vi) Schedule – the VPF will maintain a schedule of each bond issue and the 5th bond year. The VPF reviews the schedule no less than annually to determine when a 5th bond year is

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approaching. Arbitrage rebate calculations on outstanding bond issues may be performed as often as annually or in alternating years, but never longer than the 5th year (See Attachment C).

- vii) Calculations – the Authority has the option to perform arbitrage calculations internally or to contract with a 3rd party provider for arbitrage rebate calculations and preparation of IRS Form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate). 3rd party providers will maintain a list of our bond issues and scheduled 5th anniversary bond years.
- viii) Procedures – the Authority will either complete the calculations internally or provide a 3rd party provider with copies of all applicable records 30 to 60 days before the reporting deadline. The 3rd party provider will prepare the arbitrage calculations and submit a report and IRS Form 8038-T, if applicable, to the Authority.
- ix) Yield Restriction – The VPF will monitor ongoing compliance with regards to yield restriction. Interim arbitrage calculations will be used to evaluate investment strategies or optional elections that may reduce future rebate liabilities.
- x) Payment – if positive arbitrage exists at the end of a 5th year bond period, Finance will prepare payment to submit with IRS Form 8038-T. Payment must equal at least 90% of the amount due as of the end of that 5th bond year.
- xi) Redemption – upon redemption of a bond issue, a payment of 100% of the amount due must be paid no later than 60 days after the discharge date.
- xii) Advance Refunding Escrows – State and Local Government Securities (SLGs) are commonly used for refunding escrows to yield restrict the investments. The Authority works with its Financial Advisor to ensure SLGS for a refunding escrow account meet the yield restriction requirement.

F) Records Retention

- i) This policy supersedes any other general document retention policy with respect to the retention of documents related to bonds and bond financed facilities.
- ii) The Authority shall maintain all material records and information necessary to support a municipal bond issue's compliance with §103 of the Code.
- iii) All records should be kept in a manner that ensures their complete access for so long as they are material. Electronic media is the preferred method for storage of all documents required under this policy directive.
- iv) Material records should generally be kept for as long as the bonds are outstanding, plus 3 years after the final redemption date of the bonds.
- v) For certain federal tax purposes, a refunding bond issue is treated as replacing the original new money issue. To this end, the tax-exempt status of a refunding issue is dependent upon the tax-exempt status of the refunded bonds. Thus, certain material records relating to the original new money issue and all material records relating to the refunding issue should be maintained until 3 years after the final redemption of both bond issues.
- vi) State record retention policies should also be considered, but in the event of a discrepancy, the guidelines established by the IRS shall prevail.
- vii) Although the required records to be retained depend on the transaction and the requirements imposed by the Code and the regulations, records common to most tax-exempt bond transactions include:

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- Basic records relating to the bond transaction (including the Official Statement, Board minutes and resolutions authorizing issuance, trustee statements, and bond counsel opinion);
- Documentation directing, authorizing and showing expenditure of bond proceeds, including purchase contracts, construction contracts, progress payments, invoices, cancelled checks, and payment of bond issuance costs;
- Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts);
- Documentation evidencing all sources of payment or security for the bonds;
- Documentation pertaining to any investment of bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received, the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- Information, records and calculations showing that, with respect to each bond issue, the Issuer was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirements.
- All tax returns and other communication related to the bonds such as IRS Forms 8038-G, 8038-T and 8038-R.
- Any other documentation that is material to the bonds or the bond financed facilities based on particular facts.

The list above is general and only highlights the basic records that are typically material to many types of tax-exempt bond financings. Each transaction is unique and may, accordingly, have other records that are material to the requirements applicable to that financing. The decision as to whether any particular record is material must be made on a case-by-case basis and could take into account a number of factors, including, for instance, the various expenditure exceptions.

G) Reimbursement Resolutions

The VPF is responsible for ensuring that Reimbursement Resolutions are prepared in accordance with §1.150-2 of the U.S. Treasury regulations for projects the Board intends to finance with bonds.

H) Bond Proceed Expenditures

Expenditures from bond proceeds will be in accordance with the Authority’s prevailing expenditure and delegation of authority policies.

I) Bond Proceed Investments

Finance will invest bond proceeds in accordance with the Authority’s prevailing Investment Policy.

J) Education and Training

The VPF and his or her designated staff are responsible for staying current with any changes in the rules for tax-exempt and Direct Pay bonds. The Authority recognizes that such education and training is vital as a means of helping to ensure compliance with federal tax requirements in respect of its bonds. The Authority may rely upon outside advisors for assistance and guidance with these matters.

K) Material Event Disclosure (SEC, NRMSIR and Nevada Department of Taxation)

The Authority will comply with all continuing disclosure requirements under SEC Rule 15c2-12. The Rule prohibits any broker, dealer, or municipal securities dealer from acting as an underwriter

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in a primary offering of municipal securities unless the issuer promises in writing to provide certain ongoing information. The annual financial information is to be sent to all Nationally Recognized Municipal Information Depositories (NRMSIR) designated by the SEC. The VPF will make notification in a timely manner, of any following events with respect to bonds, if the event is material within the meaning of the federal securities laws, to include but not limited to:

- i) Principal and interest payment delinquencies.
- ii) Non-payment related defaults.
- iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- v) Substitution of credit or liquidity providers or their failure to perform.
- vi) Adverse tax opinions or events affecting the tax-exempt status of the bonds.
- vii) Modifications to rights of the bondholders.
- viii) Bond calls.
- ix) Defeasances.
- x) Release, substitution or sale of property securing the repayment of the bonds.
- xi) Ratings changes.

Material events related to delinquencies on principal and interest payments will also be reported to the Nevada State Department of Taxation on each Quarterly Economic Survey.

L) Insurance

The Authority's Legal Counsel acts as Risk Manager and will monitor compliance with property casualty insurance requirements for bond financed assets. The VPF and Legal Counsel will verify proof of receipt of final title policy and proof of delivery to trustee or custodian.

M) Due Diligence & Remedial Actions

In all activities related to bonds issued by or on behalf of the Authority, staff will exercise due diligence to comply with IRS Code governing tax-exempt and Direct Pay Bonds. The Issuer is aware of (a) the Voluntary Closing Agreement Program (known as "VCAP") operated by the Internal Revenue Service which allows issuers to voluntarily enter into a closing agreement in the event of certain non-compliance with Federal tax requirements and (b) the remedial actions available under Section 1.141-12 of the Income Tax Regulations for private use of bond financed property which was not expected at the time the bonds were issued.

N) Periodic Review

The VPF will monitor compliance with the guidelines contained in this policy as well as any other covenants not specifically included herein.

AUTHENTICATION: Approved by the Vice President of Finance Approved by the Board of Directors	June 2010 July 2010
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