



Compliance Reporting Service for Direct Pay Bond Financings

State and local government agencies, not-for-profit and higher education institutions, healthcare entities, housing authorities, and other municipal issuers of Direct Pay Bonds receive an interest subsidy payment from the U.S. government to offset the cost of issuing taxable bonds.

With an increased focus on compliance reporting, issuers are increasingly being asked to manage a complex range of Internal Revenue Service (IRS) requirements in order to receive those subsidy payments.

BNY Mellon Corporate Trust delivers our Direct Pay Compliance Supplement — a comprehensive package of reports, statements, schedules and project-related documents — to help issuers of Direct Pay Bonds meet IRS recordkeeping and reporting requirements.

BNY Mellon: The Right Choice

Direct Pay Bonds, such as Build America Bonds, are a new category of bonds permitted under The American Recovery and Reinvestment Act of 2009 (ARRA). A number of subcategories determining the type of projects the proceeds can fund were created under this program. Additionally, the Hiring Incentives to Restore Employment (H.I.R.E.) Act of 2010 established that issuers can choose Direct Pay status for Tax Credit

bonds (e.g. Qualified Zone Academy Bonds, known as QZABs).

The BNY Mellon Solution
BNY Mellon's Compliance Reporting Service was designed to help issuers of Direct Pay Bonds track their project activities and meet IRS recordkeeping and reporting requirements.

When BNY Mellon is the trustee and/or paying agent holding bond proceeds, as well as calculation agent and arbitrage rebate analyst on a Direct Pay Bond, we have the data needed to perform the required calculations and deliver an initial Direct Pay Compliance Supplement — a comprehensive package of project-related documents — to you shortly after issuance. An updated Supplement is delivered annually for the life of the issue.

Collaboration, Innovation, Outperformance

Compliance Reporting Service offers a single source solution to meet your recordkeeping and reporting requirements.

Direct Pay Compliance Supplement
A Direct Pay Compliance Supplement of reports, statements, schedules and project-related documents is delivered to the issuer -

- Once, shortly after issuance:
 - Calculation of the *de minimis* premium and original issue premium
 - Link to Municipal Securities Rulemaking Board's Electronic

Municipal Market Access (EMMA™) system ¹

- Calculation of available project proceeds
- Executed calculation agency agreement
- Form 8038-B, 8038-G or 8038-TC
- BNY Mellon's written procedures
- Annually, post-issuance:
 - Project fund statements with details of expenditures
 - Copies of requisitions and invoices, if provided
 - Arbitrage rebate report
 - Copies of filed 8038-CP forms

Custody

Leveraging BNY Mellon's position as one of the world's largest securities custodians and the leading municipal debt trustee, we offer a collection of high-quality services tailored for Direct Pay financings.

To facilitate oversight and transparency of the movement and investment of project funds, we utilize the latest technology to provide clear and concise reporting.

Arbitrage Compliance

Our arbitrage compliance services are designed to help maximize allowable investment returns on bond funds and minimize or eliminate a client's arbitrage liability.²

8038-CP Filing

For a Direct Pay Bond, we:

- Calculate debt service

- Calculate the refundable credit payment
- Prepare Form 8038-CP for the issuer's signature
- Confirm filing information with the issuer and submit Form 8038-CP to the Internal Revenue Service
- Manage the collection of the refundable credit payment
- Image the Form 8038-CP and related documentation, and maintain an electronic file for the issuer's records

Investment Options

BNY Mellon Corporate Trust's Investment Management Group brings clients the benefit of our expertise as one of the largest securities services providers in the industry, integrated with our extensive trustee and asset management expertise.

This combination gives us the capability to customize solutions that address the unique investment and servicing needs of each client.

Single Point of Contact

We view our client relationships as partnerships and work to build strong and lasting associations with our clients around the world. We provide all clients with a dedicated relationship manager as their single point of contact.

Your dedicated relationship manager handles the closing of your new bond issue and ongoing contractor/vendor disbursements. Your relationship manager also oversees debt service payments and other account servicing needs.

Leadership

BNY Mellon is the world's leading provider of corporate trust and agency services. With broad experience in the global debt and securities markets, we have a deep understanding of both the challenges and opportunities facing participants in the world's financial markets, and are actively engaged in supporting the U.S. government with its financial stimulus program.

Financial Strength

Ranked among the largest and strongest financial institutions in the United States, The Bank of New York Mellon Corporation has the highest credit rating among U.S. financial institutions of Aa2 by Moody's, and the second highest rating of AA- by Standard & Poor's.³

With a strong and liquid balance sheet, BNY Mellon helps clients manage their cash and securities activities.

Who's Helping You?

As a proven securities services leader and the world's foremost corporate trust provider, we have in-depth knowledge of specialized products and services in local markets worldwide, and vast global capabilities.

These attributes, combined with our ability to work collaboratively with clients, enable us to define and develop solutions that address each client's unique needs.

So no matter who you are, or what your debt financing requires, our corporate trust specialists have the distinct focus and depth of expertise to provide you with an unparalleled perspective on today's financial markets.

Who's helping you succeed in the world's financial markets? Turn to BNY Mellon.

To learn more about our Compliance Reporting Service or our other Corporate Trust services, please call 212 815 6329, or contact your relationship manager.

Visit our website at www.bnymellon.com

¹ "Municipal Securities Rulemaking Board", "Electronic Municipal Market Access" and "EMMA" are either registered or unregistered trademarks of Municipal Securities Rulemaking Board.

² In October 2009, BNY Mellon acquired Pinnacle Arbitrage Compliance LLC, one of the largest independent providers of arbitrage compliance services in the United States.

³ As of June 2010

The material contained herein is for informational purposes only. This content is not intended to provide authoritative financial, legal, regulatory or other professional advice. The Bank of New York Mellon Corporation and any of its subsidiaries make no express or implied warranty regarding such material, and hereby expressly disclaim all legal liability and responsibility to persons or entities that use this report based on their reliance of the information in such report. The presentation of this material neither constitutes an offer to sell nor a solicitation of an offer to buy any securities described herein. The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A. and its affiliates (collectively, "BNY Mellon") may lend and provide other products and services to securities issuers and others, and provide and receive related fees and compensation related thereto. All monitoring services referred to herein are provided by BNY Mellon pursuant to contractual terms set forth in the relevant trust or related agreements with customers. BNY Mellon does not provide monitoring services to its customers unless such services are specifically contracted for with BNY Mellon. Where BNY Mellon provides monitoring services that are not required pursuant to the terms of its agreements with customer such services are provided solely as a courtesy without warranty or representations and BNY Mellon is not liable for such information or if it does not provide it.