

UNIVERSITY OF WEST FLORIDA BUSINESS ENTERPRISES, INC. (“BEI”)

POLICY #: BEI 1.06 – 4/13

EFFECTIVE DATE: APRIL 12, 2013

POLICY/PURPOSE: **Post Issuance Tax-Exempt Debt Compliance Policies And Procedures** - To specify the responsibilities for BEI to comply with all applicable federal tax rules related to its tax-exempt debt issuances.

RESPONSIBLE OFFICE: BEI

1. APPLICABILITY: Capital Project Debt Issuances

2. POLICY

It is the policy of the University of West Florida and Business Enterprises, Inc (BEI) to comply with all applicable federal tax rules related to its tax-exempt debt issuances. This includes compliance with all applicable federal tax documentation and filing requirements, yield restriction limitations, arbitrage rebate requirements, use of proceeds and recordkeeping requirements. This Policy is intended to serve as a guide for BEI to facilitate compliance with the federal tax law applicable to the Borrower’s tax-exempt debt.

Post-Issuance Compliance Policy.JRB.3.26.13

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Part I. Purpose.

It is the policy of the University of West Florida and Business Enterprises, Inc. (“BEI”) to comply with all applicable federal tax rules related to its tax-exempt debt issuances. This includes compliance with all applicable federal tax documentation and filing requirements, yield restriction limitations, arbitrage rebate requirements, use of proceeds and financed projects limitations and recordkeeping requirements. Given the increasing complexity of the federal tax law applicable to tax-exempt debt, BEI hereby formally adopt the following policies and procedures (the “Policies and Procedures”). The term “Borrower” in this document means BEI.

These Policies and Procedures are intended to serve as a guide for BEI to facilitate compliance with the federal tax law applicable to the Borrower’s tax-exempt debt. In the event these Policies and Procedures conflict, in whole or in part, with the Arbitrage and Tax Regulatory Certificate (or other similar certificate) (the “Tax Certificate”) prepared on behalf of the Borrower in connection with a tax-exempt debt, the terms of the Tax Certificate shall control.

Part II. Responsibility of Borrower Officials.

Except as otherwise described herein, the Borrower’s Post Issuance Workgroup (the “Post Issuance Workgroup”) has primary responsibility for ensuring that the Borrower’s tax-exempt debt will be in compliance with federal tax law. The Post Issuance Workgroup is comprised of BEI staff, each an employee of BEI or The University. The Post Issuance Workgroup will consult with other departments within the University, as well as third-party professionals (e.g., the Borrower’s bond counsel and arbitrage rebate provider), as necessary, to ensure compliance with such rules, including these Policies and Procedures. The Post Issuance Workgroup will meet annually, in the third quarter of each fiscal year (March), to review post-issuance bond compliance.

Part III. Closing of Debt Issuances.

A. Tax Certificates. Borrower’s bond counsel, with assistance from the Borrower and other professionals associated with the financing, shall prepare a Tax Certificate in connection with each tax-exempt debt issued for the benefit of the Borrower, to be executed by representatives of the Borrower at closing. The Tax Certificate shall serve as the operative document for purposes of establishing the Borrower’s reasonable expectations as of the date of issue of a tax-exempt debt, as well as provide a summary of the federal tax rules applicable to such issuance. Borrower’s CEO, in consultation with the Borrower’s bond counsel, will review the Tax Certificate prepared for each of the Borrower’s tax-exempt debt prior to the closing of the issue.

The Tax Certificate will be included as part of the transcript for each Borrower tax-exempt debt issuance, and in all events the Borrower will keep a copy of the final executed version of the Tax Certificate in accordance with the provisions of Part VII, “Recordkeeping,” of these Policies and Procedures.

The Tax Certificate or other documentation produced at closing will clearly indicate whether equity or non-bond proceeds have been used to finance a portion of the Project and will indicate the proposed use of the non-bond moneys.

B. Internal Revenue Service Form 8038 – Tax-Exempt Bonds. Borrower’s bond counsel, with assistance from the Borrower and other professionals associated with the financing, shall prepare an Internal Revenue Service Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, in connection with each tax-exempt debt issuance issued to benefit the Borrower, which the Department will review prior to closing. Each Internal Revenue Service Form 8038 prepared for a tax-exempt debt issuance will be filed with the Internal Revenue Service no later than the 15th day after the 2nd calendar month after the close of the calendar quarter in which the tax-exempt obligation to which such Form 8038 relates is issued. All Form 8038s shall be filed by Borrower bond counsel with the Internal Revenue Service.

The Internal Revenue Service Form 8038 will be included as part of the transcript for each Borrower tax-exempt governmental debt issuance, and in all events the Borrower will keep a copy of the final executed version of the Internal Revenue Service Form 8038 in accordance with the provisions of Part VII, “Recordkeeping,” of these Policies and Procedures.

Part IV. Use of Debt Proceeds – Tax-Exempt Bonds.

A. Overview. The Borrower routinely reviews, and will continue to review, third-party uses of its tax-exempt debt financed facilities for “private business use.” In addition, the Borrower will continue to consult regularly with its bond counsel regarding the applicable federal tax limitations imposed on the Borrower’s outstanding tax-exempt debt issuances and whether arrangements with third parties give rise to private business use of the financed projects. For these purposes, the Borrower will monitor all uses of the Borrower’s tax-exempt debt financed facilities, including but not limited to uses pursuant to a management contract, operating agreement, license, lease, sublease, naming rights agreement, research agreement, clinical trial agreement, and joint venture or partnership arrangement. In the event the Borrower enters into an arrangement involving a facility for which tax-exempt debt is outstanding, and which gives rise to private business use, the Borrower will consult its bond counsel regarding the arrangement and whether such arrangement impacts the tax-exempt status of the Borrower’s outstanding debt.

Within 60 days of the date the Project financed with proceeds of tax-exempt bonds is complete, or as soon thereafter as reasonably possible, Borrower will perform a compliance review and interim allocation of proceeds used to finance the Project to establish that proceeds have been expended in accordance with the terms and provisions of the Tax Certificate. Within 18 months after the later of the date the expenditure is made or the Project is placed in service, Borrower will make a final allocation of bond proceeds, investment earnings, and non-bond proceeds used to finance the Project.

The Borrower shall undertake a comprehensive review of each of its outstanding bond issues for third-party use at least annually.

B. Private Use Generally. The Borrower will not knowingly take or permit to be taken any action which would cause any of its outstanding tax-exempt debt to become “private activity bonds,” as described below. Generally, an issue of tax-exempt debt will be considered “private activity bonds” if more than 5% of the proceeds of the debt are used directly or indirectly in any trade or business carried on by a private business user and more than 5% of the debt service on the debt is directly or indirectly (1) secured by any interest in property used or to be used in any trade or business carried on by a private business user or payments in respect of property used or to be used in any trade or business carried on by a private business user, or (2) derived from payments made in respect of property used or to be used in any trade or business carried on by a private business user.

BEI will maintain the private use calculation and report the calculation annually to the Post Issuance Workgroup and to the IRS on Form 990, if necessary.

C. Management or Other Service Contracts. In the event the Borrower enters into a management contract, service agreement, operating agreement or license with an individual or entity whose use of the Borrower’s tax-exempt debt financed projects could potentially result in private business use, the Borrower will evaluate whether such arrangement results in private business use. For these purposes, a management contract, service agreement, operating agreement and license include any contract between the Borrower and a service provider under which the service provider provides services involving all, or a portion of, or any function of, a project financed with tax-exempt debt proceeds (a “Service Contract”).

It is the Borrower’s intent to structure all Service Contracts impacting tax-exempt debt financed property so as to satisfy one of the private business use safeharbors set forth in Revenue Procedure 97-13, as amended from time to time, described in **Exhibit B**.

D. Leases and Subleases. The Borrower will track all leases and subleases that involve the use of tax-exempt debt financed projects, including the name of the lessee (or sublessee), the term of the lease (or sublease), the amount of the rent paid by the lessee (or sublessee) and the square footage of space used by the lessee (or sublessee) relative to the square footage of the debt-financed facility. If the Borrower desires to enter into a lease or sublease related to the use of tax-exempt debt financed property, it will consult with its bond counsel to determine what impact, if any, such lease or sublease would have on the tax status of the Borrower’s outstanding tax-exempt debt. Tracking of leases of space within student housing facilities to students of the University of West Florida shall not be required; however, any lease of space to a non-student shall be subject to the requirements of this paragraph D.

It is the responsibility of the Post Issuance Workgroup to review and monitor management leases and subleases on at least an annual basis and to engage bond counsel, if necessary.

E. Naming Rights Agreements. The Borrower will monitor all naming rights agreements that involve tax-exempt debt financed projects, including the term of the arrangement and the amount paid by the naming party. Prior to entering into a naming rights agreement involving its tax-exempt debt financed property, the Borrower will consult with its bond counsel to determine what impact, if any, such agreement would have on the tax status of the Borrower's outstanding tax-exempt debt.

It is the responsibility of the Post Compliance Workgroup to review and monitor naming rights agreements on at least an annual basis and to engage bond counsel, if necessary.

F. Sponsored Research. The Borrower does not presently, and does not expect in the future, to have an interest in any facilities financed with tax-exempt debt that are used in connection with research activities. However, in the event it does so, it will prepare an appropriate modification to this policy to address the situation.

G. Joint Ventures and Partnership Arrangements. The Borrower will monitor all uses by third parties of Borrower property financed using the proceeds of tax-exempt debt pursuant to a joint venture, partnership or other cooperative agreement between the Borrower and the third party. Prior to entering into such an agreement or agreeing to permit the use of financed property in such a manner, the Borrower will consult with its bond counsel to determine what impact, if any, such use would have on the tax status of the Borrower's outstanding tax-exempt debt.

It is the responsibility of the Post Issuance Workgroup to review and monitor management joint ventures and partnership agreements on at least an annual basis and to engage bond counsel, if necessary

H. Sales of Debt-Financed Property. It is the Borrower's policy to finance projects using tax-exempt debt that the Borrower intends to own for the entire term of the debt issue financing the projects. Prior to selling or otherwise disposing of any tax-exempt debt financed project for which debt remains outstanding, the Borrower will consult with its bond counsel to determine the impact, if any, such sale or disposition would have on the tax status of the Borrower's outstanding tax-exempt debt, and will comply with any requirements for remedial action that may be required in connection therewith.

It is the responsibility of the Post Issuance Workgroup to monitor the potential sale or disposition of any bond-financed property and to engage bond counsel, if necessary.

I. Remedial Actions. The Borrower is aware of the remedial action rules contained in Treasury Regulations Section 1.141-12, providing the Borrower with the ability, in certain circumstances, to voluntarily remediate violations of the private business tests or private loan financing test. Although the Borrower intends that none of its tax-exempt debt issuances will require the application of the remedial action rules, prior to taking any action that would cause one or more of its outstanding tax-exempt debt issuances to, absent a remedial action, violate the

private business tests or private loan financing test, the Borrower will consult with its bond counsel regarding the applicability of the remedial action rules to such action and the ability to remediate the impacted tax-exempt debt issuance.J. Private Loans. The Borrower will not take or permit to be taken any action which would cause any of its tax-exempt debt issuances to be considered “private loan bonds.” Borrower debt will be considered “private loan bonds” if more than 5% of the proceeds of the issue are used directly or indirectly to make or finance loans to private persons. The Borrower will not loan the proceeds of any Borrower debt issuance to a third party.

Part V. Arbitrage Limitations Imposed on Debt Issuance.

A. Arbitrage Rebate Monitor. The Borrower will continue to retain an arbitrage rebate monitor to review its outstanding tax-exempt debt issuances, unless, in the judgment of the Borrower, and in compliance with these Policies and Procedures and the Tax Certificate entered into in connection with a tax-exempt debt issuance, there is no reasonable prospect of an arbitrage rebate or yield reduction payment liability. The Borrower will retain an outside arbitrage rebate monitor service for each Borrower debt issuance. The arbitrage rebate monitor will perform calculations to ascertain whether the Borrower owes an arbitrage rebate payment or yield reduction payment to the Internal Revenue Service, including whether the tax-exempt debt issuance in question qualifies for an exception to the arbitrage rebate rules.

B. Payment of Arbitrage Rebate and Yield Reduction Liability. In the event the Borrower owes arbitrage rebate or has accrued a yield reduction payment liability to the Internal Revenue Service, the Borrower will timely submit Internal Revenue Service Form 8038-T, Arbitrage Rebate Yield Reduction and Penalty in Lieu of Arbitrage Rebate, to be prepared by the arbitrage rebate monitor, together with payment in the amount equal to the arbitrage rebate or yield reduction payment liability calculated by the arbitrage rebate monitor in accordance with the Tax Certificate related to such debt issue. For these purposes, within 60 days after each installment computation date, the Borrower will cause to be paid to the Internal Revenue Service at least 90% of the amount of arbitrage rebate and yield reduction payment liability owed, determined in accordance with the provisions of the Tax Certificate related to such tax-exempt debt issuance and the applicable federal tax rules, and based on calculations performed by the arbitrage rebate monitor.

In addition, within 60 days after the final installment computation date, the Borrower will cause to be paid to the Internal Revenue Service 100% of the amount of arbitrage rebate and yield reduction payment liability owed, determined in accordance with the provisions of the Tax Certificate related to such tax-exempt debt issuance and the applicable federal tax rules, and based on calculations performed by the arbitrage rebate monitor.

Each completed Internal Revenue Service Form 8038-T, Arbitrage Rebate Yield Reduction and Penalty in Lieu of Arbitrage Rebate, together with full payment in the amount equal to the arbitrage rebate or yield reduction payment liability calculated by the Arbitrage rebate monitor in

accordance with the Tax Certificate related to such debt issue, shall be filed with the Internal Revenue Service at the required address. .

C. Yield Restriction Limitations. Each Tax Certificate prepared for the Borrower's tax-exempt debt issuances shall contain the applicable yield restriction investment limitations, including the applicable investment limitations imposed on proceeds of the debt issuance and any temporary periods during which the Borrower may invest proceeds of the debt issuance at an unrestricted yield.

D. Monitoring Yield Restriction Limitations. It is the responsibility of the Post Issuance Workgroup to ensure that the Borrower complies with the yield restriction limitations outlined in the Tax Certificate entered into by the Borrower in connection with a tax-exempt debt issuance, including any exceptions to yield restriction described therein, to maintain all records related to arbitrage calculations, and to file any applicable returns with the IRS.

E. Expenditure of Tax-Exempt Debt Proceeds. It is the policy of the Borrower to expend tax-exempt debt proceeds as promptly and diligently as possible within the confines of these Policies and Procedures and the Tax Certificate entered into by the Borrower in connection with a particular debt issuance. For these purposes, it is the Borrower's policy not to finance projects using the proceeds of tax-exempt debt for which the Borrower expects that the tax-exempt debt proceeds will not be fully spent within three (3) years of the date of issue of the debt. It is the policy of the Borrower that the use of tax-exempt bond proceeds shall be limited to project costs, capitalized interest and bond issuance costs and not for any working capital costs.

F. Arbitrage Rebate Exceptions. Each Tax Certificate prepared for the Borrower's tax-exempt debt issuances shall contain the arbitrage rebate exception(s) applicable to the debt issuance, which arbitrage rebate exceptions will be applied by the rebate monitor in assessing whether the Borrower owes arbitrage rebate.

G. Verification Agent. The Borrower will continue to retain a third-party verification agent for each of its advance refunding bond issues. The verification agent will verify the arbitrage yield on the tax-exempt debt issuance, the arbitrage yield on the investments acquired as part of the refunding escrow established using gross proceeds of the tax-exempt debt issuance, and the sufficiency of the refunding escrow.

H. Establishment of Advance Refunding Escrows and Trustee Responsibilities. The Borrower will deposit tax-exempt debt proceeds (and any other amounts) to be used to advance refund prior Borrower debt into one or more separate escrow trust accounts established with the trustee selected for the transaction. Working with Borrower bond counsel, and in accordance with the documentation prepared for the refunding transaction, the Borrower will impose primary responsibility for initiating actions required to be taken with respect to the refunding escrow (including the reinvestment of amounts within the escrow and disbursing funds from the escrow) on the trustee. In the event of an omission on the part of the trustee, an error in the

documentation or procedures establishing the escrow, or an investment to be acquired as part of the refunding escrow is not available for purchase, the Borrower will timely consult with Borrower bond counsel, as applicable, to determine the impact, if any, on the tax-exempt status of the bond issue and actions to be undertaken by the Borrower to ensure the continuing tax-exempt status of the obligations.

I. Acquiring Investments for Advance Refunding Escrows. It is the policy of the Borrower to maximize the investment return on all investments acquired with tax-exempt bond proceeds and to acquire such investments at fair market value. When funding deposits to advance refunding escrows using tax-exempt debt proceeds, it is the Borrower's policy to acquire United States Treasury Securities - State and Local Government Series (SLGS) or other securities purchased on the open market in accordance with the terms of the Borrower's bond documents.

In the event the Borrower chooses to fund an advance refunding escrow using securities purchased on the open market, the Borrower will retain a third-party investment bidding agent to solicit bids from providers of qualifying securities in accordance with the limitations described in the "3-bid" safeharbors set forth in Treasury Regulations Section 1.148-5(d)(6).

J. Interest Rate Hedges. The Borrower will engage a third party financial advisor for all interest rate hedges entered into by the Borrower, irrespective of whether any such hedge is acquired through a direct negotiation with the provider or procured through a bidding process. In all cases, the Borrower will obtain appropriate certifications from its financial advisor and/or the provider to establish the fair market value of the product. The Borrower will consult with its bond counsel with respect to all interest rate hedging transactions related to an outstanding or prospective debt issuance prior to the date on which the interest rate hedging transaction is entered into.

Part VI. Accounting for Debt Proceeds.

A. General. Except as otherwise described below and in the Tax Certificate entered into by the Borrower in connection with a tax-exempt debt issuance, it is the policy of the Borrower to apply a "direct tracing" method of accounting for and allocating its tax-exempt debt.

B. Investment of Proceeds. Proceeds of the Borrower's capital borrowings shall be held in a separate fund or account held by the Borrower's Trustee Bank and shall be invested pursuant to the arbitrage restrictions described in each Tax Certificate.

C. Expenditure of Debt Proceeds on Capital Projects. Proceeds are requisitioned for capital projects pursuant to the guidelines established in each Trust Agreement entered into in connection with each tax-exempt debt issuance. BEI shall be responsible for coordinating the requisition process. It is expected that BEI will delegate processing of capital project accounts

payable to Facilities Development and Operations (“FDO”) leadership and their Business Manager. FDO has responsibility for campus development capital project accounts payable irrespective of the fund source. All invoices and records of payment (either in the form of paper checks or electronic funds transfer confirmations) will be retained by BEI in accordance with Part VII, “Recordkeeping,” below.

The Borrower shall maintain an active ledger, updated with each payment of an expenditure from tax-exempt debt proceeds, that for each outstanding debt issuance shows:

- (1) The name and date of issue of the tax-exempt debt to which the proceeds relate;
- (2) The projects financed with the proceeds of the issue;
- (3) The authorized amount of proceeds to be used to finance each project;
- (4) The amount of proceeds of the debt issuance used to date to finance each project;
- (5) The amount of unspent proceeds of the debt issuance to be used to finance each project; and
- (6) The amount of non-bond proceeds used to finance any portion of the Project;
- (7) The date on which the debt proceeds related to each project were fully expended.

It is the responsibility of BEI to maintain the ledger described above.

D. Source of Debt Service Payments; Gifts

To avoid creating a "sinking fund" that is subject to restriction on the yield at which it may be invested, payments of principal and interest on the Borrower’s tax-exempt bonds are derived from current revenues (including current gifts), not directly or indirectly from the Borrower’s endowment or other set-aside funds. The Borrower’s Chief Executive Officer (“CEO”) is responsible for maintaining accounting and cash flow practices that will satisfy this requirement.

Whenever a gift is received that bears a close relationship to bond-financed capital costs (e.g., because it is designated for a bond-financed project, is received through a fundraising campaign that focuses on the project, or otherwise), the gift generally should be (i) used to pay capital costs of the project not financed with bond proceeds, (ii) deposited into the debt service fund for the issue within 30 days of being received and entirely used for the next payment of debt service on the bonds, or (iii) used to pay other capital costs of the University (if permitted under the terms of the gift) within 30 days of being received. If these approaches are not feasible (for example, because the amount of the gift exceeds the amount of the next debt service payment, or there are insufficient other capital costs to which the gift may be applied), counsel should be consulted, who can advise whether in this situation the gift will need to be yield-restricted. The Borrower’s CEO is responsible for alerting the Post Issuance Workgroup whenever a gift is received that may bear a close relationship to a bond-financed facility (other than gifts received pursuant to a pre-approved fundraising campaign), and the Post Issuance Workgroup will consult with bond counsel and the CEO to ensure that the gift is applied in a manner consistent with these procedures. It is expected that gifts generally will not be accepted by the Borrower or will be

transferred to the UWF Foundation, Inc., in accordance with BEI Gift Acceptance Policy, 1.06 – 4/13, and that this situation will not arise.

Part VII. Recordkeeping.

A. General. The Borrower is aware of its ongoing recordkeeping responsibilities associated with its tax-exempt debt issuances. Each Tax Certificate prepared on behalf of the Borrower for a tax-exempt debt issuance shall provide for a description of the records to be maintained by or on behalf of the Borrower and period of time such records must be maintained.

B. Means of Maintaining Records. The Borrower may maintain all records required to be held as described in this Part VII in paper and/or electronic (e.g., CD, disks, tapes) form. It is the policy of the Borrower to maintain as much of its records electronically as feasible.

C. Transcript and Use of Debt Proceeds. The Borrower shall maintain, or cause to be maintained, all records relating to the tax-exempt status of its tax-exempt debt issuances and the qualification of Borrower debt and the representations, certifications and covenants set forth in its respective Tax Certificates **until the date 3 years after the last outstanding obligation of the issue to which such records and Tax Certificate relate has been retired.** The records that must be retained include, but are not limited to: (1) basic records and documents relating to the obligations (including the transcript, which shall include, among other records, the Tax Certificate, Internal Revenue Service Form 8038, verification report, authorizing resolution(s), trust indenture, loan agreement, record of public approval, and the opinion of bond counsel), (2) documentation evidencing the expenditure of debt proceeds, (3) documentation evidencing the use of debt financed projects by public and private sources, including copies of all arrangements described in Part IV of these Policies and Procedures, (4) documentation evidencing all sources of payment or security for the debt issuance; and (5) documentation pertaining to any investment of debt proceeds (including the purchase and sale of securities, SLGS subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations).

It shall be the responsibility of BEI to maintain the records above.

D. Investment Records. The Borrower and Trustee Bank shall maintain detailed records with respect to every investment acquired with proceeds of its tax-exempt debt, including the: (1) purchase date, (2) purchase price, (3) information establishing fair market value on the date such investment became allocated to gross proceeds of the debt, (4) any accrued interest paid, (5) face amount, (6) coupon rate, (7) periodicity of interest payments, (8) disposition price, (9) any accrued interest received, (10) disposition date, and (11) broker's fees paid (if at all) or other administrative costs with respect to each such nonpurpose investment. The Borrower shall maintain all such records until the date three years after the last outstanding obligation of the issue to which such records and nonpurpose investments relate has been retired.

It shall be the responsibility of BEI to maintain the records above.

E. Arbitrage Rebate and Yield Reduction Payment Records. The Borrower shall maintain all records of arbitrage rebate payment and yield reduction payment calculations performed by the arbitrage rebate monitor (irrespective of whether the Borrower owed any amount to the Internal Revenue Service), and records related to any arbitrage rebate payments or yield reduction payments made to the Internal Revenue Service, including the calculations performed by the arbitrage rebate monitor substantiating such payments, together with the Internal Revenue Service Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, that accompanied all such payments, until the date 3 years after the last outstanding obligation of the issue to which such records and rebate payments relate has been retired.

F. Overpayment of Arbitrage Rebate Records. In the event the Borrower has overpaid to the United States an arbitrage rebate or yield reduction payment liability, the Borrower shall maintain all records of such arbitrage rebate payments or yield reduction payments, including calculations performed by the arbitrage rebate monitor, together with the Internal Revenue Service Form 8038-R, Request for Recovery of Overpayments Under Arbitrage Rebate Provisions, that accompanied the request for a recovery of such overpayment until the date 3 years after the last outstanding obligation of the issue to which such records and rebate overpayments relate has been retired.

It shall be the responsibility of BEI to maintain the records above.

G. Other Records. In addition to the records described above, the Borrower will maintain the following records, to the extent applicable to a particular tax-exempt debt offering, until the date 3 years after the last outstanding obligation of the issue to which such relate has been retired: (1) minutes and resolutions authorizing the issuance of, or the reimbursement of expenditures using proceeds of, the financing, (2) appraisals, demand surveys and feasibility studies related to financed or refinanced property, (3) documentation relating to any third-party funding for a project to which tax-exempt debt proceeds will be applied (including government grants), (4) records of any Internal Revenue Service audit(s) or compliance check(s), or any other Internal Revenue Service inquiry related to the debt.

H. Applicability of Recordkeeping Requirement in the Event of a Refunding. In the event the Borrower issues tax-exempt debt to retire prior Borrower debt, the Borrower shall maintain all of the records described in this Part VII with respect to the refunded debt until the date that is three years after the last outstanding tax-exempt obligation of the issue the proceeds of which were used to retire the refunded debt has been retired. For example, if the Borrower issues tax-exempt obligations in 2009 (the “2009 Bonds”) to refund tax-exempt obligations issued in 2004 (the “2004 Bonds”), the Borrower will maintain the records described in this Part VII with respect to the 2004 Bonds until the date three (3) years after the date the last outstanding 2009 Bond has been retired. If the 2004 Bonds themselves refunded prior Borrower debt, the

Borrower shall also maintain records related to such prior Borrower debt for the same period of time.

It is the responsibility of BEI to maintain the records described above.

Part VIII. Voluntary Closing Agreement Program.

The Borrower is aware of its ability, pursuant to Internal Revenue Service Notice 2008-31, to request a voluntary closing agreement with the Internal Revenue Service to correct failures on the part of the Borrower to comply with the federal tax rules related to tax-exempt debt issuances.

Part IX. Continuing Education.

The Borrower will continue to consult regularly with its bond counsel regarding the federal tax rules applicable to its outstanding tax-exempt debt and changes to the federal tax law, and the Borrower will regularly update these Policies and Procedures to reflect any such changes.

EXHIBIT A

Schedule of Outstanding Debt Issuances

Taxable Promissory Note to ServisFirst Bank dated June 29, 2012, in the original principal amount of \$1,100,000.

EXHIBIT B

Revenue Procedure 97-13 – Management Contract Safeharbors

Pursuant to Revenue Procedure 97-13, a Service Contract between the Borrower and a private party will not result in the proceeds of Borrower debt being used in the trade or business of the private party if the following guidelines are satisfied:

(1) The Service Contract must provide for reasonable compensation for services rendered with no compensation based, in whole or in part, on a share of net profits from the operation of the projects financed with proceeds of the Borrower's tax-exempt debt. Reimbursement of the service provider for actual and direct expenses paid by the service provider to unrelated parties is not by itself to be treated as compensation. Permitted compensation arrangements that are generally not treated as a share of net profits are as follows:

(a) At least 95% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee and the term of the Service Contract, including all renewal options, does not exceed the lesser of 80% of the reasonably expected useful life of the financed or refinanced facility and 15 years.

(b) At least 80% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee and the term of the Service Contract, including all renewal options, does not exceed the lesser of 80% of the reasonably expected useful life of the financed or refinanced facility and ten 10 years.

(c) At least 50% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee and the term of the Service Contract, including all renewal options, does not exceed 5 years *provided, however*, that a Service Contract with such a compensation arrangement must be terminable by the Borrower on reasonable notice, without penalty or cause, at the end of the 3rd year of the contract term.

(d) All of the compensation for services is based on a capitation fee or a combination of a periodic fixed fee and a capitation fee and the term of the Service Contract, including all renewal options, does not exceed 5 years *provided, however*, that a Service Contract with such a compensation arrangement must be terminable by the Borrower on reasonable notice, without penalty or cause, at the end of the 3rd year of the contract term.

(e) All of the compensation for services is based on a per-unit fee or a combination of a per-unit fee and a periodic fixed fee and the term of the Service Contract, including all renewal options, does not exceed 3 years; *provided, however*, that a Service Contract with such a compensation arrangement must be terminable by the

Borrower on reasonable notice, without penalty or cause, at the end of the 2nd year of the contract term.

(f) All of the compensation for services is based on a percentage of fees charged or a combination of a per-unit fee and a percentage of revenue or expense fee and the term of the Service Contract, including all renewal options, does not exceed two (2) years; *provided, however*, that a Service Contract with such a compensation arrangement must be terminable by the Borrower on reasonable notice, without penalty or cause, at the end of the first (1st) year of the contract term; *provided further, however*, that during a start-up period, compensation may be based on a percentage of gross revenues, adjusted gross revenues, or the expenses of a facility; and *provided further, however*; that such a type of arrangement may only be used for Service Contracts under which the service provider primarily provides services to third parties and for Service Contracts involving a facility during an initial start-up period for which there have been insufficient operations to establish a reasonable estimate of the amount of the annual gross revenues and expenses.

(g) A productivity reward equal to a stated dollar amount based on increases or decreases in gross revenues or adjusted gross revenues, or reductions in total expenses, but not both increases in gross revenues or adjusted gross revenues and reductions in total expenses, in any annual period during the term of the Service Contract generally does not cause the compensation to be based on a share of net profits.

(h) If the compensation arrangements of a Service Contract are materially revised, the requirements for such Service Contract under Revenue Procedure 97-13 are retested as of the date of such material revision and the Service Contract is treated as one that was newly entered into as of the date of such material revision.

(2) The service provider must not have any role or relationship with the Borrower that, in effect, substantially limits the Borrower's ability to exercise its rights, including cancellation rights, under the Service Contract, based on all the facts and circumstances.

If the Borrower enters into a Service Contract that does not satisfy the safe harbors set forth in Revenue Procedure 97-13, the Borrower will consult with its bond counsel to assess the impact, if any, that the noncompliant Service Contract has on the tax status of the Borrower's outstanding tax-exempt debt, if any.

It is the responsibility of BEI to review and monitor management contracts on at least an annual basis and to engage bond counsel, if necessary.

EXHIBIT C

Internal Revenue Service Tax Compliance Guide

