

Not to Exceed \$45,000,000
Lakewood Ranch Stewardship District
Bond Anticipation Note, Series 2017
(Northeast Sector Project)

**TAX CERTIFICATE AS TO ARBITRAGE AND
THE PROVISIONS OF SECTIONS 141-150 OF
THE INTERNAL REVENUE CODE OF 1986, AS AMENDED**

The undersigned, as Chairman, in connection with the issuance by Lakewood Ranch Stewardship District (the "District") of its Not to Exceed \$45,000,000 Bond Anticipation Note, Series 2017 (Northeast Sector Project) (the "Series 2017 Note") and pursuant to Section 1.148-2(b)(2) of the Income Tax Regulations (the "Regulations"), makes and enter into the following Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, as amended (the "Code").

The District acknowledges that the opinion of Bond Counsel regarding the exclusion of interest on the Series 2017 Note from gross income under Section 103(a) and Sections 141-150 of the Code is rendered in reliance upon the representations and statements of fact and expectations contained herein and assumes the District's continued compliance with the provisions of this Certificate.

1. The Series 2017 Note is being issued pursuant to Chapter 2005-338, Laws of Florida, as amended by Chapter 2009-263, Laws of Florida, Resolution No. 2005-16 by the Board of Supervisors of the District (the "Board") on August 23, 2005, as supplemented and amended by Resolution No. 2017-25 adopted by the Board on September 8, 2017 (collectively, the "Resolution") and pursuant to a Master Trust Indenture dated as of September 1, 2005 between the District and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a Sixteenth Supplemental Trust Indenture dated as of September 1, 2017 (collectively, the "Indenture"). Unless otherwise specifically defined, all capitalized terms used in this Certificate shall have the meanings as those set forth in the Indenture and the Regulations.

The Series 2017 Note is being issued as a revolving draw-down bond anticipation note pursuant to Section 203 of the Indenture. It is expected that the initial tranche of draws on the Series 2017 Note (up to an aggregate principal amount of \$45,000,000) will be repaid from the first Series of Northeast Sector Bonds (as defined in the Indenture) and the second tranche of draws on the Series 2017 Note (up to an aggregate principal amount of \$33,000,000) will be repaid from the second Series of Northeast Sector Bonds. Pursuant to the Indenture, aggregate principal available to be drawn under the Series 2017 Note shall not exceed \$78,000,000.

The proceeds of the Series 2017 Note will be used for the following purposes:

- (a) to finance a portion of the cost of the acquisition and construction of a capital improvement plan for the lands within the District known as the

Northeast Sector and more fully described in the Indenture (the "2017 Project");

- (b) to fund deposits to the 2017 Note Reserve Account in the amount of the 2017 Note Reserve Account Requirement;
- (c) to pay the costs and expenses incurred in connection with the issuance of the Series 2017 Note (the "Issuance Expenses"); and
- (d) to pay capitalized interest on the Series 2017 Note (the "Capitalized Interest").

2. On the basis of the facts, estimates and circumstances in existence on the date hereof, we reasonably expect the following with respect to the Series 2017 Note being issued this day and as to the use of the proceeds thereof:

(a) The Series 2017 Note is being issued as a revolving draw-down loan as described in Section 1.150-1(c)(4)(i) of the Regulations, and the District will draw \$1,615,088.00 of proceeds under the Series 2017 Note on the date hereof. Total proceeds in the amount of \$78,000,000.00 (the "Sale Proceeds") are expected to be derived by the District from the sale of the Series 2017 Note to Florida Community Bank, N.A. (the "Lender") and are expected to be needed and fully expended as follows:

(i) \$70,180,414.91 of said proceeds shall be deposited in the 2017 Note Acquisition and Construction Account and used to pay a portion of the costs of the 2017 Project;

(ii) \$3,938.00 of said proceeds shall be deposited in the 2017 Interest Account and used to pay Capitalized Interest;

(iii) \$724,738.00 of said proceeds shall be deposited in the 2017 Costs of Issuance Account and used to pay the Issuance Expenses for the Series 2017 Note; and

(iv) \$7,090,909.09 of said proceeds shall be deposited in the 2017 Note Reserve Account to fully fund the amount required to be deposited therein.

(b) The total proceeds to be received from the sale of the Series 2017 Note, together with anticipated investment earnings thereon, do not exceed the total of the amounts necessary for the purposes described above.

(c) The District does not expect to sell or otherwise dispose of any property comprising a part of the 2017 Project prior to the final maturity date of the Series 2017 Note.

3. Binding contracts or commitments obligating the expenditure of not less than 5 percent of the Net Sale Proceeds toward the cost of the 2017 Project will be entered into by the District within 6 months from the date of issue the Series 2017 Note. Work on the 2017 Project and the allocation of the Net Sale Proceeds to the costs of the 2017 Project will proceed with due diligence. It is expected that the 2017 Project will be completed and at least 85% of the Net Sale Proceeds of the Series 2017 Note will be allocated to Project expenditures within three years of the date hereof. The District shall account for the allocation of the Net Sale Proceeds to project expenditures not later than 18 months after the later of the date the expenditure is made or the date that the 2017 Project is placed in service, but in no event later than 5 years after the date of issuance of the Series 2017 Note. The District agrees to maintain records detailing the allocation of the Net Sale Proceeds to those 2017 Project costs financed by the Series 2017 Note throughout the term of the Series 2017 Note and for a period of three years thereafter.

4. Not more than 50 percent of the proceeds of the Series 2017 Note will be invested in obligations having a substantially guaranteed yield for 4 years or more.

5. The Indenture requires the District to have on deposit in the 2017 Note Reserve Account an amount equal to ten percent of the outstanding principal balance of the 2017 Note, other than principal drawn for the purpose of financing deposits to the 2017 Note Reserve Account (the "2017 Note Reserve Account Requirement") to be funded at the time of each draw. Amounts on deposit in the 2017 Note Reserve Account are to be used to pay the principal of and interest on the Series 2017 Note when other moneys in the Debt Service Fund are insufficient therefor. The Lender has represented in its Certificate attached as Exhibit A hereto that the funding of the 2017 Note Reserve Account in the amount of the 2017 Note Reserve Account Requirement was a condition to the Lender's purchase of the Series 2017 Note.

6. The Debt Service Fund (and the 2017 Note Debt Service Account, 2017 Note Interest Account and 2017 Note Principal Account therein) will be used primarily to achieve a proper matching of the Note Assessments of the District and debt service on the Series 2017 Note within each bond year and amounts deposited thereto will be depleted at least once a year except for any carryover amount which will not in the aggregate exceed the greater of (A) the earnings on such funds for the immediately preceding bond year, or (B) one-twelfth of the debt service on the Series 2017 Note for the immediately preceding bond year. It is reasonably expected that the outstanding principal amount of the Series 2017 Note will be paid from proceeds of the Northeast Sector Bonds to be issued under the Indenture.

7. There are no funds or accounts established pursuant to the Indenture or otherwise, other than the 2017 Note Reserve Account and the Debt Service Fund, which are reasonably expected to be used to pay debt service on the Series 2017 Note, or which are pledged as collateral for the Series 2017 Note (or subject to a negative pledge) and for which there is a reasonable assurance on the part of the Lender that amounts therein will be available to pay debt service on the Series 2017 Note if the District encounters financial difficulties.

8. Except for preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs, proceeds of the Series 2017 Note will not be used to reimburse the District for Project costs paid prior to the date which is 60 days before September 8, 2017, the date the District initially expressed its intent to finance the 2017 Project with proceeds of the Series 2017 Note.

9. In the event that amounts drawn under the Series 2017 Note are not immediately used to pay or reimburse costs of the 2017 Project, the following represents the expectations of the District with respect to the investment of Gross Proceeds of the Series 2017 Note:

(a) Proceeds derived from the sale of the Series 2017 Note to be applied to pay Issuance Expenses may be invested at an unrestricted yield for a period not to exceed three years from the date hereof.

(b) Proceeds derived from the sale of the Series 2017 Note deposited in the 2017 Note Acquisition and Construction Account to pay 2017 Project costs may be invested at an unrestricted yield for a period not to exceed three years from the date hereof.

(c) Investment earnings on obligations acquired with amounts described in subparagraphs (a) and (b) above may be invested at an unrestricted yield for a period of three years from the date hereof or one year from the date of receipt, whichever period is longer.

(d) Amounts described in subparagraphs (a) through (c) that may not be invested at an unrestricted yield pursuant to such subparagraphs, may be invested at an unrestricted yield to the extent such amounts do not exceed \$100,000 (the "Minor Portion").

(e) Amounts described in subparagraph (d), not invested at an unrestricted yield pursuant to such subparagraph, shall be invested at a yield not in excess of the yield on the Bonds plus 1/8 of one percentage point.

(f) All amounts deposited in the Debt Service Fund (and the subaccounts therein) may be invested at an unrestricted yield for a period of thirteen months from the date of deposit of such amounts to such account. Investment earnings with respect to amounts on deposit in such accounts which are retained therein may be reinvested at an unrestricted yield for a period of thirteen months from the date of receipt of the amount earned. It is expected that all such investment earnings will be used within thirteen months of their receipt to pay principal or interest on the Series 2017 Note.

(g) Proceeds derived from the sale of the Series 2017 Note deposited in the 2017 Note Reserve Account shall be invested at an yield not in excess of the yield on the Series 2017 Note throughout the term of the Series 2017 Note.

(h) Amounts described in subparagraphs (f) and (g) not invested at an unrestricted yield pursuant to such subparagraph, may be invested at an unrestricted yield to the extent such amount does not exceed the Minor Portion reduced by the amounts described in subparagraph (d) that are invested at a yield in excess of the yield on the Series 2017 Note.

(i) Amounts described in subparagraph (h) that may not be invested at an unrestricted yield pursuant to such subparagraph shall be invested at a yield not in excess of the yield of the Series 2017 Note or invested in tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of preference within the meaning of Section 57(a)(5) of the Code.

To the extent that any amounts described in this Paragraph 9 are not permitted to be invested at an unrestricted yield, the District may satisfy the applicable yield restriction by causing the appropriate amount of yield reduction payments to be made to the United States to the extent permitted by Section 1.148-5(c) of the Regulations.

10. For purposes of this Certificate, "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The yield on obligations acquired with amounts described in Paragraph 9 hereof and the yield on the Series 2017 Note shall be calculated by the use of the same frequency interval of compounding interest. In the case of the Series 2017 Note, the purchase price is not to exceed \$45,000,000.00. The purchase price of the Series 2017 Note and the interest rate thereon were arrived at as a result of an arms-length negotiation between the District and the Lender. The Lender has represented to the District in its Certificate attached as Exhibit A hereto that it is acquiring the Series 2017 Note for its own account and is not acting as a broker or other intermediary for the purpose of reselling the Series 2017 Note to other investors. Any investments acquired with amounts that may not be invested at an unrestricted yield pursuant to paragraph 9 above or which are subject to the rebate requirement described in Paragraph 14 hereof shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be tax-exempt obligations under 103(a) of the Code the interest on which is not an item of tax preference within the meaning of Section 57(a) (5) of the Code. Because the Series 2017 Note is issued as a draw-down loan, the yield on the Series 2017 Note is not determinable at this time and the yield of the Series 2017 Note will be determined for each Computation Period as set forth in Section 1.148-4(c) of the Regulations.

11. No portion of the proceeds of the Series 2017 Note will be used as a substitute for other moneys of the District which were otherwise to be used to pay 2017 Project costs and which have been or will be used to acquire, directly or indirectly, obligations producing a yield in excess of the yield on the Series 2017 Note.

12. The weighted average maturity of the Series 2017 Note does not exceed 120 percent of the reasonably expected economic life of the assets comprising the 2017 Project (within the meaning of Section 147(b) of the Code).

13. There are no other obligations of the District that (i) are being sold at substantially the same time as the Series 2017 Note (within 15 days); (ii) are being sold pursuant to a common plan of financing together with the Series 2017 Note, and (iii) will be paid out of substantially the same source of funds as the Series 2017 Note.

14. The District hereby covenants that so long as the Series 2017 Note remains outstanding, the moneys on deposit in any fund or account maintained in connection with the Series 2017 Note, will not be used in any manner that would cause the Series 2017 Note to be an "arbitrage bond" within the meaning of Section 148 of the Code or bonds not described under Section 103(a) of the Code and the applicable regulations promulgated from time to time thereunder. Accordingly, the District shall comply with the guidelines and instructions in the Arbitrage Letter of Instructions from Bond Counsel, dated the date hereof, by which the District shall, among other things, pay or cause to be paid to the United States an amount equal to the sum of (i) the excess of the aggregate amount earned from the investment of "Gross Proceeds" of the Series 2017 Note from the date of issue over the amount that would have been earned if such amounts had been invested at a yield equal to the yield of the Series 2017 Note, plus (ii) the income or earnings attributable to the excess amount described in (i). See Exhibit B attached hereto.

15. Other than the Note Assessments, none of the proceeds of the Series 2017 Note will be used (directly or indirectly) to make or finance a loan to any person.

16. None of the proceeds of the Series 2017 Note will be used (directly or indirectly) to acquire any property which prior to its acquisition was used (or held for use) by a person other than a state or local governmental unit in connection with an output facility. For purposes of this Certificate, the term "output facility" means electric and gas generation, transmission, and related facilities (but not water facilities).

17. No portion of the proceeds of the Series 2017 Note will be used to finance output facilities (as that term is defined in Paragraph 16 above).

18. The District will not take any action which would cause the Series 2017 Note to be a "private activity bond" within the meaning of Section 141 of the Code. The District will not permit any person other than a state or local governmental unit or as a member of the general public (a "Nonexempt Person") to use, through sale, lease, management contract, output contract or similar agreement, portions of the 2017 Project which, in the aggregate exceed 10 percent of the 2017 Project (based upon the cost of such portions of the 2017 Project). The percentage limitation described in the preceding sentence shall be reduced to 5 percent if the private use of the 2017 Project is not related to any governmental use or is disproportionate to governmental use, all as described in Section 141(b)(3) of the Code.

19. The District acknowledges that in determining whether all or any portion of the 2017 Project is used, directly or indirectly, in the trade or business of a Nonexempt Person for purposes of Paragraph 18 above, use of any portion of the 2017 Project by a Nonexempt Person pursuant to a lease, management contract, service contract, output contract or other arrangement must be examined. The District represents that all management and service contracts with persons who are not employees of the District for use of any portion of the 2017 Project will comply with the guidelines set forth in IRS Revenue Procedure 2017-13, unless the District receives an opinion from Bond Counsel that such contract will not adversely impact the exclusion of interest on the Series 2017 Note from gross income for purposes of federal income taxation.

20. The District reasonably expects that the 2017 Project will be owned and operated either by the District or another governmental entity throughout the term of the Series 2017 Note in a manner which complies with the requirements set forth in Paragraph 18 above. The District will not change the ownership or use of all or any portion of the 2017 Project in a manner that fails to comply with Paragraph 18 above, unless it receives an opinion of Bond Counsel that such change of ownership or use will not adversely affect the exclusion of interest on the Series 2017 Note from gross income for federal income tax purposes.

21. The District is an independent local unit of special-purpose government and an independent special district of the State of Florida and is a political subdivision authorized to issue tax-exempt bonds. Although all current members of the Board of Supervisors of the District were elected by the landowners, the District was formed with the intent that it will contain a sufficient number of residents to allow for a transition to control by the general electorate and the District will take no action to prevent such transition.

22. The payment of the principal of and interest on the Series 2017 Note is not and will not be guaranteed directly or indirectly by the federal government within the meaning of Section 149(b) of the Code.

23. This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements and notices validly promulgated under the Code contain requirements which differ from those outlined herein which must be satisfied for the Series 2017 Note to be tax-exempt or in order to avoid the imposition of penalties under Section 148 of the Code, pursuant to the covenants contained in the Bond Resolution, the District is obligated to take such steps as are necessary to comply with such requirements. If under those pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusion of interest on the Series 2017 Note from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) or to avoid the imposition of penalties on the District under Section 148 of the Code, the District shall not be obligated to comply with that requirement. The District has been advised to seek the advice of competent counsel with a nationally recognized expertise in matters affecting exclusion of interest on municipal bonds from gross income in fulfilling its obligations under the Code to take all steps as are necessary to maintain the tax-exempt status of the Series 2017 Note.

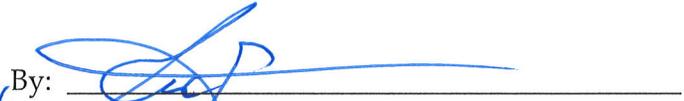
24. The District is not aware of any facts or circumstances that would cause it to question the accuracy of the representations made by the Lender in its Certificate attached as Exhibit A hereto.

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25. To the best of my knowledge, information and belief, the above expectations are reasonable.

WITNESS my hand this 8th day of September, 2017.

LAKWOOD RANCH STEWARDSHIP DISTRICT

By:  _____

Name: Rex E. Jensen

Title: Chairman of Board of Supervisors

EXHIBIT A

NOT TO EXCEED \$45,000,000
LAKEWOOD RANCH STEWARDSHIP DISTRICT
BOND ANTICIPATION NOTE, SERIES 2017
(NORTHEAST SECTOR PROJECT)

CERTIFICATE OF THE LENDER

The undersigned, on behalf of Florida Community Bank, N.A. (the "Lender"), hereby certifies as set forth below with respect to the purchase of the above-captioned obligation (the "Series 2017 Note").

1. *Purchase of the Series 2017 Note.* On the date of this certificate, the Lender is purchasing the Series 2017 Note for the amount not to exceed \$45,000,000, which is equal to the aggregate principal amount of the Series 2017 Note. The Lender is not acting as an Underwriter with respect to the Series 2017 Note. The Lender has no present intention to sell, reoffer, or otherwise dispose of the Series 2017 Note (or any portion of the Series 2017 Note or any interest in the Series 2017 Note). The Lender has not contracted with any person pursuant to a written agreement to have such person participate in the initial sale of the Series 2017 Note and the Lender has not agreed with the Lakewood Ranch Stewardship District (the "District") pursuant to a written agreement to sell the Series 2017 Note to persons other than the Lender or a related party to the Lender.

2. *Defined Terms.*

(a) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

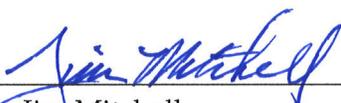
(b) *Underwriter* means (i) any person that agrees pursuant to a written contract with the District to participate in the initial sale of the Series 2017 Note to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2017 Note to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2017 Note to the Public).

3. *Reserve Fund.* The funding of the 2017 Note Reserve Account in an amount equal to the 2017 Note Reserve Account Requirement was a condition to the Lender's purchase of the Series 2017 Note.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Lender's interpretation of any laws, including specifically

Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2017 Note, and by Bryant Miller Olive P.A. in connection with rendering its opinion that the interest on the Series 2017 Note is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Series 2017 Note.

FLORIDA COMMUNITY BANK, N.A.

By:  _____
Name: Jim Mitchell
Title: Senior Vice President

Dated: September 8, 2017

EXHIBIT B

September 8, 2017

Lakewood Ranch Stewardship District
Manatee and Sarasota Counties, Florida

Re: Not to Exceed \$45,000,000 Lakewood Ranch Stewardship District
Bond Anticipation Note, Series 2017
(Northeast Sector Project)

Ladies and Gentlemen:

This letter instructs you as to certain requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Not to Exceed \$45,000,000 Bond Anticipation Note, Series 2017 (Northeast Sector Project) (the "Series 2017 Note"). Capitalized terms used in this letter, not otherwise defined herein, shall have the same meanings as set forth in the District's Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, as Amended (the "Tax Certificate") executed on the date hereof.

This letter is intended to provide you with general guidance regarding compliance with Section 148(f) of the Code. Because the requirements of the Code are subject to amplification and clarification, you should seek supplements to this letter from time to time to reflect any additional or different requirements of the Code. In particular, you should be aware that regulations implementing the rebate requirements of Section 148(f) (the "Regulations") have been issued by the United States Treasury Department. These regulations will, by necessity, be subject to continuing interpretation and clarification through future rulings or other announcements of the United States Treasury Department. You should seek further advice of Bond Counsel as to the effect of any such future interpretations before the computation and payment of any arbitrage rebate.

For the purposes of this Letter, (i) any instructions relating to a fund or account shall be deemed to apply only to the portion of such fund or account allocable to the Series 2017 Note and (ii) any reference to "the date hereof" shall be deemed to mean September 8, 2017.

Section 1. Tax Covenants. Pursuant to Indenture (as defined in the Tax Certificate), the District has made certain covenants designed to assure that interest with respect to the Series 2017 Note is and shall remain excluded from gross income for federal income tax purposes. The District has agreed, and by this Letter does hereby covenant, that it will not directly or indirectly use or permit the use of any proceeds of the Series 2017 Note or any other funds or take or omit to take any action that would cause the Series 2017 Note to be an "arbitrage bond" within the

meaning of Section 148 of the Code and that would cause interest on the Series 2017 Note to be included in gross income for federal income tax purposes under the provisions of the Code. You have further agreed by this letter to comply with all other requirements as shall be determined by Bond Counsel (as hereinafter defined) to be necessary or appropriate to assure that interest on the Series 2017 Note will be excluded from gross income for federal income tax purposes. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2017 Note. In particular, the District agrees to cause the proceeds of the Series 2017 Note and certain other amounts described in Paragraph 9 of the Tax Certificate to be invested in a manner that is consistent with the expectations set forth in such Certificate. In the event that at any time the District is of the opinion that for purposes of this Section 1 it is necessary to restrict or to limit the yield on the investment of any moneys held by the District, the District shall take such action as may be necessary.

Section 2. Definitions. Unless the context otherwise requires, in addition to the use of the terms defined in the Tax Certificate, the following capitalized terms have the following meanings:

"Bond Counsel" shall mean Bryant Miller Olive P.A., or other nationally recognized bond counsel.

"Bond Year" shall mean the one year period that ends at the close of business on the day in the calendar year that is selected by the District. The first and last bond years may be short periods.

"Bond Yield" shall mean that discount rate that, when used in computing the present value on the Delivery Date of all unconditionally payable payments of principal, interest, and retirement price payments paid and to be paid on the Series 2017 Note, produces an amount equal to the present value on the Delivery Date, using the same discount rate, of the aggregate Issue Price of the Series 2017 Note. Yield is computed under the Economic Accrual Method using any consistently applied compounding interval of not more than one year. Short first and last compounding intervals may be used. Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing yield but must be consistently applied. Because the Series 2017 Note is issued as a draw-down loan, the yield on the Series 2017 Note is not determinable at this time and the yield of the Series 2017 Note will be determined for each Computation Period as set forth in Section 1.148-4(c) of the Regulations.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder.

"Computation Credit Amount" means the amount specified in Section 1.148-3(d)(1)(iv) of the Regulations.

"Computation Credit Date" means the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Series 2017 Note that are subject to the rebate requirement of Section 148(f) of the Code, and the Final Computation Date.

"Computation Date" shall mean any date selected by the District as a computation date pursuant to Section 1.148-3(e) of the Regulations, and the Final Computation Date.

"Delivery Date" shall mean September 8, 2017.

"Economic Accrual Method" shall mean the method of computing yield that is based on the compounding of interest at the end of each compounding period (also known as the constant interest method or the actuarial method).

"Final Computation Date" shall mean the date that the last bond that is part of the Series 2017 Note is discharged.

"Gross Proceeds" shall mean with respect to the Series 2017 Note, any proceeds of the Series 2017 Note and any funds (other than the proceeds of the Series 2017 Note) that are a part of a reserve or replacement fund for the issue, which amounts include amounts which are (A) actually or constructively received by the District from the sale of the Series 2017 Note (other than amounts used to pay Accrued Interest on the Series 2017 Note as set forth in the Tax Certificate); (B) treated as transferred proceeds (as defined in Section 1.148-9(b) of the Regulations); (C) treated as Replacement Proceeds under Section 1.148-1(c) of the Regulations; (D) invested in a reasonably required reserve or replacement fund (as defined in Section 1.148-2(f) of the Regulations); (E) pledged by the District as security for payment of debt service on the Series 2017 Note; (F) received with respect to obligations acquired with proceeds of the Series 2017 Note; (G) used to pay debt service on the Series 2017 Note; and (H) otherwise received as a result of investing any proceeds of the Series 2017 Note. The determination of whether an amount is included within this definition shall be made without regard to whether the amount is credited to any fund or account established under the Indenture or (except in the case of an amount described in (E) above) whether the amount is subject to the pledge of such instrument.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

"Installment Payment Date" shall mean a Computation Date that is not later than 5 years after the Delivery Date and subsequent Computation Dates which occur no later than 5 years after the immediately preceding Installment Payment Date.

"Investment Property" shall mean any security or obligation, any annuity contract or other investment-type property within the meaning of Section 148(b)(2) of the Code. The term

Investment Property shall not include any obligation the interest on which is excluded from gross income (other than a Specified Private Activity Bond within the meaning of Section 57(a)(5)(C) of the Code) and shall not include an obligation that is a one-day certificate of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series Program described in 31 CFR, part 344.

"Issue Price" shall mean, with respect to the Series 2017 Note, the amount drawn under the Series 2017 Note.

"Issue Yield" shall mean the Bond Yield unless the Series 2017 Note are described in Section 1.148-4(b)(3) or (4) of the Regulations, in which case, the Issue Yield shall be the Bond Yield as recomputed in accordance with such provisions of the Regulations.

"Nonpurpose Investment" shall mean any Investment Property in which Gross Proceeds are invested, other than any Purpose Investment as defined in Section 1.148-1(b) of the Regulations. For purposes of this Letter, Investment Property acquired with revenues deposited in the Debt Service Fund to be used to pay debt service on the Series 2017 Note within 13 months of the date of deposit therein shall be disregarded.

"Nonpurpose Payment" shall, with respect to a Nonpurpose Investment allocated to the Series 2017 Note, include the following: (1) the amount actually or constructively paid to acquire the Nonpurpose Investment; (2) the Value of an investment not acquired with Gross Proceeds on the date such investment is allocated to the Series 2017 Note, and (3) any yield reduction payment to the United States Government made pursuant to Section 1.148-5(c) of the Regulations. In addition, the Computation Credit Amount shall be treated as a Nonpurpose Payment with respect to the Series 2017 Note on each Computation Credit Date.

"Nonpurpose Receipt" shall mean any receipt or payment with respect to a Nonpurpose Investment allocated to the Series 2017 Note. For this purpose the term "receipt" means any amount actually or constructively received with respect to the investment. In the event a Nonpurpose Investment ceases to be allocated to the Series 2017 Note other than by reason of a sale or retirement, such Nonpurpose Investment shall be treated as if sold on the date of such cessation for its Value. In addition, the Value of each Nonpurpose Investment at the close of business on each Computation Date shall be taken into account as a Nonpurpose Receipt as of such date, and each refund of Rebatable Arbitrage pursuant to Section 1.148-3(i) of the Regulations shall be treated as a Nonpurpose Receipt.

"Rebatable Arbitrage" shall mean as of any Computation Date the excess of the future value of all Nonpurpose Receipts with respect to the Series 2017 Note over the future value of all Nonpurpose Payments with respect to the Series 2017 Note. The future value of a Nonpurpose Payment or a Nonpurpose Receipt as of any Computation Date is determined using the Economic Accrual Method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period

at a rate equal to the Issue Yield, using the same compounding interval and financial conventions used in computing that yield.

"Retirement Price" shall mean, with respect to a bond, the amount paid in connection with the retirement or redemption of the bond.

"Value" means value as determined under Section 1.148-5(d) of the Regulations for investments.

Section 3. Rebate Requirement.

(a) Pursuant to this Letter there shall be established a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund (the "Rebate Fund"). The District shall administer or cause to be administered the Rebate Fund and invest any amounts held therein in Nonpurpose Investments. Moneys shall not be transferred from the Rebate Fund except as provided in this Section 3.

(b) Unless one or more of the Spending Exceptions to Rebate described in Appendix I to this letter are applicable to all or a portion of the Gross Proceeds of the Series 2017 Note, the District specifically covenants that it will pay or cause to be paid to the United States Government the following amounts:

(1) No later than 60 days after each Installment Payment Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2017 Note, equals at least 90 percent of the Rebatable Arbitrage calculated as of each such Installment Payment Date; and

(2) No later than 60 days after the Final Computation Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2017 Note, equals 100 percent of the Rebatable Arbitrage as of the Final Computation Date.

(c) Any payment of Rebatable Arbitrage made within the 60-day period described in Section 3(b)(1) and (2) above may be treated as paid on the Installment Payment Date or Final computation date to which it relates.

(d) On or before 55 days following each Installment Payment Date and the Final Computation Date, the District shall determine the amount of Rebatable Arbitrage to be paid to the United States Government as required by Section 3(b) of this Letter. Upon making this determination, the District shall take the following actions:

(1) If the amount of Rebatable Arbitrage is calculated to be positive, deposit the required amount of Rebatable Arbitrage to the Rebate Fund;

(2) If the amount of Rebatable Arbitrage is calculated to be negative and money is being held in the Rebate Fund, transfer from the Rebate Fund the amount on deposit in such fund; and

(3) On or before 60 days following the Installment Payment Date or Final Computation Date, pay the amount described in Section 3(b) of this Letter to the United States Government at the Internal Revenue Service Center, Ogden, Utah 84201. Payment shall be accompanied by Form 8038-T. A rebate payment is paid when it is filed with the Internal Revenue Service at the above location.

(e) The District shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the money related to the Series 2017 Note, including money derived from, pledged to, or to be used to make payments on the Series 2017 Note. Such records shall specify the account or fund to which each investment (or portion thereof) held by the District is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price; (b) nominal rate of interest; (c) the amount of accrued interest purchased (included in the purchase price); (d) the par or face amount; (e) maturity date; (f) the amount of original issue discount or premium (if any); (g) the type of Investment Property; (h) the frequency of periodic payments; (i) the period of compounding; (j) the yield to maturity; (k) date of disposition; (l) amount realized on disposition (including accrued interest); and (m) market price data sufficient to establish the fair market value of any Nonpurpose investment as of any Computation Date, and as of the date such Nonpurpose Investment becomes allocable to, or ceases to be allocable to, Gross Proceeds of the Series 2017 Note.

Section 4. Prohibited Investments and Dispositions.

(a) No Investment Property shall be acquired with Gross Proceeds for an amount (including transaction costs) in excess of the fair market value of such Investment Property. No Investment Property shall be sold or otherwise disposed of for an amount (including transaction costs) less than the fair market value of the Investment Property.

(b) For purposes of subsection 4(a), the fair market value of any Investment Property for which there is an established market shall be determined as provided in subsection 4(c). Except as otherwise provided in subsections 4(e) and (f), any market especially established to provide Investment Property to an issuer of governmental obligations shall not be treated as an established market.

(c) The fair market value of any Investment Property for which there is an established market is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value is

generally determined on the date on which a contract to purchase or sell the Investment Property becomes binding (i.e., the trade date rather than the settlement date). If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Treasury, such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(d) Except to the extent provided in subsections (e) and (f), any Investment Property for which there is not an established market shall be rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(e) In the case of a certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal, the purchase price of such a certificate of deposit is treated as its fair market value on its purchase date if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and (2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(f) The purchase price of a Guaranteed Investment Contract is treated as its fair market value on the purchase date if the District complies with the competitive bidding procedures and other requirements set forth in Section 1.148-5(d)(6)(iii) of the Regulations.

Section 5. Accounting for Gross Proceeds. In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the District must adopt a reasonable and consistently applied method of accounting for all Gross Proceeds.

Section 6. Administrative Costs of Investments.

(a) Except as otherwise provided in this Section, an allocation of Gross Proceeds of the Series 2017 Note to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

(b) In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. General overhead costs and similar indirect

costs of the District such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs.

(c) Qualified Administrative Costs include all reasonable administrative costs, without regard to the limitation on indirect costs stated in subsection (b) above, incurred by:

(i) A publicly offered regulated investment company (as defined in Section 67(c)(2)(B) of the Code); and

(ii) A commingled fund in which the District and any related parties do not own more than 10 percent of the beneficial interest in the fund.

(d) For a Guaranteed Investment Contract, a broker's commission paid on behalf of either the District or the provider is not a Qualified Administrative Cost to the extent that the commission exceeds the safe harbor amount specified in Section 1.148-5(e)(2)(iii)(B) of the Regulations.

Section 7. Records; Bond Counsel Opinion.

(a) The District shall retain all records with respect to the calculations and instructions required by this Letter for at least 3 years after the date on which the last of the principal of and interest on the Series 2017 Note has been paid, whether upon maturity, redemption or acceleration thereof.

(b) Notwithstanding any provisions of this Letter, if the District shall be provided an opinion of Bond Counsel that any specified action required under this Letter is no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of interest with respect to the Series 2017 Note, the District may conclusively rely on such opinion in complying with the requirements of this Letter.

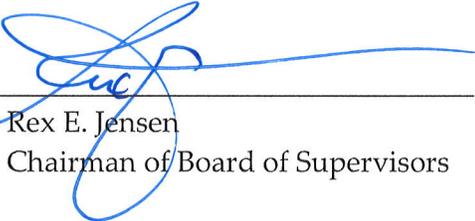
Section 8. Survival of Defeasance. Notwithstanding anything in this Letter to the contrary, the obligation of the District to remit the Rebate Requirement to the United States Department of the Treasury and to comply with all other requirements contained in this Letter must survive the defeasance or payment of the Series 2017 Note.

Very truly yours,

BRYANT MILLER OLIVE P.A.

Received and acknowledged:

LAKEWOOD RANCH STEWARDSHIP DISTRICT

By: 
Name: Rex E. Jensen
Title: Chairman of Board of Supervisors

Dated: September 8, 2017

Appendix I

Spending Exceptions to Rebate

(a) Generally. All, or certain discrete portions, of an issue are treated as meeting the Rebate Requirement of Section 148(f) of the Code if one or more of the spending exceptions set forth in this Appendix are satisfied. Use of the spending exceptions is not mandatory, except that where an Issuer elects to apply the 1-1/2 percent penalty (as described below) the Issuer must apply that penalty to the Construction Issue. An Issuer may apply the Rebate Requirement to an issue that otherwise satisfies a spending exception. Special definitions relating to the spending exceptions are contained in section (h) of this Appendix.

Where several obligations that otherwise constitute a single issue are used to finance two or more separate governmental purposes, the issue constitutes a "multipurpose issue" and the bonds, as well as their respective proceeds, allocated to each separate purpose may be treated as separate issues for purposes of the spending exceptions. In allocating an issue among its several separate governmental purposes, "common costs" are generally not treated as separate governmental purposes and must be allocated ratably among the discrete separate purposes unless some other allocation method more accurately reflects the extent to which any particular separate discrete purpose enjoys the economic benefit (or bears the economic burden) of the certain common costs (e.g., a newly funded reserve for a parity issue that is partially new money and partially a refunding for savings on prior bonds).

Separate purposes include refunding a separate prior issue, financing a separate Purpose Investment (e.g., a separate loan), financing a Construction Issue, and any clearly discrete governmental purpose reasonably expected to be financed by the issue. In addition, as a general rule, all integrated or functionally related capital projects qualifying for the same initial temporary period (e.g., 3 years) are treated as having a single governmental purpose. Finally, separate purposes may be combined and treated as a single purpose if the proceeds are eligible for the same initial temporary period (e.g., advance refundings of several separate prior issues could be combined, or several non-integrated and functionally unrelated capital projects such as airport runway improvements and a water distribution system).

The spending exceptions described in this Appendix are applied separately to each separate issue component of a multipurpose issue unless otherwise specifically noted.

(b) Six-Month Exception. An issue is treated as meeting the Rebate Requirement under this exception if (i) the gross proceeds of the issue are allocated to expenditures for the governmental purposes of the issue within the six-month period beginning on the issue date (the "six-month spending period") and (ii) the Rebate Requirement is met for amounts not required to be spent within the six-month spending period (excluding earnings on a bona fide debt service fund). For purposes of the six-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or

replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month spending period, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury Regulation Section 1.148-6(d)(4)) financed by the issue. In the case of an issue no bond of which is a private activity bond (other than a qualified 501(c)(3) bond) or a tax or revenue anticipation bond, the six-month spending period is extended for an additional six months for the portion of the proceeds of the issue which are not expended within the six-month spending period if such portion does not exceed the lesser of five percent of the Proceeds of the issue or \$100,000.

(c) 18-Month Exception. An issue is treated as meeting the Rebate Requirement under this exception if all of the following requirements are satisfied:

(i) the gross proceeds are allocated to expenditures for a governmental purpose of the issue in accordance with the following schedule (the "18-month expenditure schedule") measured from the issue date: (A) at least 15 percent within six months, (B) at least 60 percent within 12 months and (C) 100 percent within 18 months;

(ii) the Rebate Requirement is met for all amounts not required to be spent in accordance with the 18-month expenditure schedule (other than earnings on a bona fide debt service fund); and

(iii) all of the gross proceeds of the issue qualify for the initial temporary period under Treasury Regulation Section 1.148-2(e)(2).

For purposes of the 18-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the 18-month expenditure schedule, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury Regulation Section 1.148-6(d)(4)) financed by the issue. In addition, for purposes of determining compliance with the first two spending periods, the investment proceeds included in gross proceeds are based on the Issuer's reasonable expectations as of the issue date rather than the actual Investment Proceeds; for the third, final period, actual Investment Proceeds earned to date are used in place of the reasonably expected earnings. An issue does not fail to satisfy the spending requirement for the third spending period above as a result of a Reasonable Retainage if the Reasonable Retainage is allocated to expenditures within 30 months of the issue date. The 18-month exception does not apply to an issue any portion of which is treated as meeting the Rebate Requirement as a result of satisfying the two-year exception.

(d) Two-Year Exception. A Construction Issue is treated as meeting the Rebate Requirement for Available Construction Proceeds under this exception if those proceeds are

allocated to expenditures for governmental purposes of the issue in accordance with the following schedule (the "two-year expenditure schedule"), measured from the issue date:

- (i) at least 10 percent within six months;
- (ii) at least 45 percent within one year;
- (iii) at least 75 percent within 18 months; and
- (iv) 100 percent within two years.

An issue does not fail to satisfy the spending requirement for the fourth spending period above as a result of unspent amounts for Reasonable Retainage if those amounts are allocated to expenditures within three years of the issue date.

(e) Expenditures for Governmental Purposes of the Issue. For purposes of the spending exceptions, expenditures for the governmental purposes of an issue include payments for interest, but not principal, on the issue and for principal or interest on another issue of obligations. The preceding sentence does not apply for purposes of the 18-month and two-year exceptions if those payments cause the issue to be a refunding issue.

(f) De Minimis Rule. Any failure to satisfy the final spending requirement of the 18-month exception or the two-year exception is disregarded if the Issuer exercises due diligence to complete the project financed and the amount of the failure does not exceed the lesser of three percent of the issue price of the issue or \$250,000.

(g) Elections Applicable to the Two-Year Exception. An Issuer may make one or more of the following elections with respect to the two-year spending exception:

(1) Earnings on Reasonably Required Reserve or Replacement Fund. An Issuer may elect on or before the issue date to exclude from Available Construction Proceeds the earnings on any reasonably required reserve or replacement fund. If the election is made, the Rebate Requirement applies to the excluded amounts from the issue date.

(2) Actual Facts. For the provisions relating to the two-year exception that apply based on the Issuer's reasonable expectations, an Issuer may elect on or before the issue date to apply all of those provisions based on actual facts. This election does not apply for purposes of determining whether an issue is a Construction Issue and if the 1-1/2 percent penalty election is made.

(3) Separate Issue. For purposes of the two-year exception, if any proceeds of any issue are to be used for Construction Expenditures, the Issuer may elect on or before

the issue date to treat the portion of the issue that is not a refunding issue as two, and only two, separate issues, if (i) one of the separate issues is a Construction Issue, (ii) the Issuer reasonably expects, as of the issue date, that such Construction Issue will finance all of the Construction Expenditures to be financed by the issue and (iii) the Issuer makes an election to apportion the issue in which it identifies the amount of the issue price of the issue allocable to the Construction Issue.

(4) Penalty in Lieu of Rebate. An Issuer of a Construction Issue may irrevocably elect on or before the issue date to pay a penalty (the "1-1/2 percent penalty") to the United States in lieu of the obligation to pay the rebate amount on Available Construction Proceeds upon failure to satisfy the spending requirements of the two-year expenditure schedule. The 1-1/2 percent penalty is calculated separately for each spending period, including each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds equal the amount of Available Construction Proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental purposes of the issue by that date. The 1-1/2 percent penalty must be paid to the United States no later than 90 days after the end of the spending period to which it relates. The 1-1/2 percent penalty continues to apply at the each of each spending period and each semiannual period thereafter until the earliest of the following: (i) the termination of the penalty under Treasury Regulation Section 1.148-7(1), (ii) the expenditure of all of the Available Construction Proceeds or (iii) the last stated final maturity date of bonds that are part of the issue and any bonds that refund those bonds. If an issue meets the exception for Reasonable Retainage except that all retainage is not spent within three years of the issue date, the Issuer must pay the 1-1/2 percent penalty to the United States for any Reasonable Retainage that was not so spent as of the close of the three-year period and each later spending period.

(h) Special Definitions Relating to Spending Expenditures.

(1) Available Construction Proceeds shall mean, with respect to an issue, the amount equal to the sum of the issue price of the issue, earnings on such issue price, earnings on amounts in any reasonably required reserve or replacement fund not funded from the issue and earnings on all of the foregoing earnings, less the amount of such issue price in any reasonably required reserve or replacement fund and less the issuance costs financed by the issue. For purposes of this definition, earnings include earnings on any tax-exempt bond. For the first three spending periods of the two-year expenditure schedule described in Treasury Regulation Section 1.148-7(e), Available Construction Proceeds include the amount of future earnings that the Issuer reasonably expected as of the issue date. For the fourth spending period described in Treasury Regulation Section 1.148-7(e), Available Construction Proceeds include the actual earnings received. Earnings on any reasonably required reserve or replacement fund are Available

Construction Proceeds only to the extent that those earnings accrue before the earlier of (i) the date construction is substantially completed or (ii) the date that is two years after the issue date. For this purpose, construction may be treated as substantially completed when the Issuer abandons construction or when at least 90 percent of the total costs of the construction that the Issuer reasonably expects as of such date will be financed with proceeds of the issue have been allocated to expenditures. If only a portion of the construction is abandoned, the date of substantial completion is the date the non-abandoned portion of the construction is substantially completed.

(2) Construction Expenditures shall mean capital expenditures (as defined in Treasury Regulation Section 1.150-1) that are allocable to the cost of Real Property or Constructed Personal Property. Construction Expenditures do not include expenditures for acquisitions of interest in land or other existing Real Property.

(3) Construction Issue shall mean any issue that is not a refunding issue if (i) the Issuer reasonably expects, as of the issue date, that at least 75 percent of the Available Construction Proceeds of the issue will be allocated to Construction Expenditures for property owned by a governmental unit or a 501(c)(3) organization and (ii) any private activity bonds that are part of the issue are qualified 501(c)(3) bonds or private activity bonds issued to financed property to be owned by a governmental unit or a 501(c)(3) organization.

(4) Constructed Personal Property shall mean Tangible Personal Property or Specially Developed Computer Software if (i) a substantial portion of the property is completed more than six months after the earlier of the date construction or rehabilitation commenced and the date the Issuer entered into an acquisition contract; (ii) based on the reasonable expectations of the Issuer, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the Issuer) could not have occurred within that six-month period; and (iii) if the Issuer itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Issuer.

(5) Real Property shall mean land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, Real Property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

(6) Reasonable Retainage shall mean an amount, not to exceed five percent of (i) Available Construction Proceeds as of the end of the two-year expenditure schedule (in the case of the two-year exception to the Rebate Requirement) or (ii) Net Sale Proceeds as of the end of the 18-month expenditure schedule (in the case of the 18-month exception to the Rebate Requirement), that is retained for reasonable business purposes relating to

the property financed with the issue. For example, a Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

(7) Specially Developed Computer Software shall mean any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to Real Property or other Constructed Personal Property.

(8) Tangible Personal Property shall mean any tangible personal other than Real Property, including interests in tangible personal property. For example, Tangible Personal Property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

(i) Special Rules Relating to Refundings.

(1) Transferred Proceeds. In the event that a prior issue that might otherwise qualify for one of the spending exceptions is refunded, then for purposes of applying the spending exceptions to the prior issue, proceeds of the prior issue that become transferred proceeds of the refunding issue continue to be treated as unspent proceeds of the prior issue; if such unspent proceeds satisfy the requirements of one of the spending exceptions then they are not subject to rebate either as proceeds of the prior issue or of the refunding issue. Generally, the only spending exception applicable to refunding issues is the six-month exception. In applying the six-month exception to a refunding of a prior issue, only transferred proceeds of the refunding issue from a taxable prior issue and other amounts excluded from the definition of gross proceeds of the prior issue under the special definition of gross proceeds contained in section (b) above are treated as gross proceeds of the refunding issue and so are subject to the six-month exception applicable to the refunding issue.

(2) Series of Refundings. In the event that an Issuer undertakes a series of refundings for a principal purpose of exploiting the difference between taxable and tax-exempt interest rates, the six-month spending exception is measured for all issues in the series commencing on the date the first bond of the series is issued.

(j) Elections Applicable to Pool Bonds. An Issuer of a pooled financing issue can elect to apply the spending exceptions separately to each loan from the date such loan is made or, if earlier, on the date on year after the date the pool bonds are issued. In the event this election is made, no spending exceptions are available and the normal Rebate Requirement applies to Gross Proceeds prior to the date on which the applicable spending periods begin. In the event this

election is made, the Issuer may also elect to make all elections applicable to the two-year spending exception, described in section (g) above, separately for each loan; any such elections that must ordinarily be made prior to the issue date must then be made by the Issuer before the earlier of the date the loan is made or one year after the issue date.