University of North Carolina Wilmington

Tax-Exempt Debt, State Bonds, and Build America Bond
Post-Issuance Tax Compliance Memorandum

May 8, 2017

Table of Contents

Part I. Purpose.

The University of North Carolina Wilmington (the "University") complies with all applicable federal tax rules related to its tax-exempt debt and build America bond issuances, including issuances by the State of North Carolina (the "State") that benefit the University ("State Bonds"). This includes compliance with all applicable federal tax documentation requirements, yield restriction limitations, arbitrage rebate requirements, third-party use limitations and recordkeeping requirements. Given the increasing complexity of the federal tax law applicable to the University's tax-exempt debt, State Bonds, and build America bond issuances, this Memorandum sets forth procedures designed to ensure compliance with applicable federal tax law (the "Procedures").

This Memorandum is intended to serve as a guide for the University to facilitate compliance with the federal tax law applicable to the University's outstanding tax-exempt debt, build America bond issuances and State Bonds. In the event the Procedures contained in this Memorandum conflict, in whole or in part, with the Tax Certificate (or other similar agreement) (the "Tax Certificate") prepared on behalf of The Board of Governors of the University of North Carolina (the "Board of Governors"), the University or the State in connection with a tax-exempt debt or build America bond issuance, the terms of the Tax Certificate shall control.

Part II. Responsibility of University Officials.

Except as otherwise described herein, the Controller's Office has primary responsibility for ensuring that the University's outstanding tax-exempt debt, build America bond issuances and State Bonds are, and remain, in compliance with federal tax law. The Controller's Office will consult with other departments within the University, as well as third-party professionals (e.g., the University's or the State's bond counsel), as necessary, to ensure compliance with such rules, including these Procedures.

One or more representatives of the Controller's Office shall be responsible for completing a review of the University's outstanding tax-exempt debt and build America bond issuances for compliance with the applicable Tax Certificate entered into in connection with each financing and these Procedures no less frequently than every 12 months. In addition, the Controller's Office shall be responsible for completing a review of the State Bonds for compliance with the policy of the State in accordance with the provisions of Part VI. In the event the University discovers that the University is, or has been, out of compliance with one or more of the requirements set forth in these Procedures, the University will consult with its bond counsel to determine what action, if any, should be taken with respect to such noncompliance. The University's Tax Accountant is responsible for all aspects of Private Business Use review, monitoring and records retention as described in Parts IV and IX. The University's Debt Manager is responsible for all other areas and overall management of post-issuance compliance.

Part III. Closing of Tax-Exempt Debt Issuances.

A. Tax Certificates. University or Board of Governors bond counsel, with assistance from the University and other professionals associated with the financing, shall prepare a Tax Certificate in connection with each tax-exempt debt and build America bond issuance issued by the Board or the University, to be executed by the University at closing. The Tax Certificate shall serve as the operative document for purposes of establishing the University's reasonable expectations as of the date of issue of a tax-exempt debt or build America bond issuance, as well as provide a general summary of the federal tax rules applicable to such issuance. The Controller's Office, in consultation with the University's bond counsel, will review the Tax Certificate prepared for each of the University's tax-exempt debt and build America bond issuances prior to the closing of the issue.

The Tax Certificate will be included as part of the transcript for each University tax-exempt debt and build America bond issuance, and in all events the University will keep a copy of the final executed version of the Tax Certificate in accordance with the provisions of Part VIII, "Recordkeeping," of this Memorandum.

B. Internal Revenue Service Form 8038-G. University or Board of Governors bond counsel, with assistance from the University and other professionals associated with the financing, shall prepare an Internal Revenue Service Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, in connection with each tax-exempt debt issuance issued by or on behalf of the University, which a representative of Controller's Office will review prior to closing. Each Internal Revenue Service Form 8038-G prepared for a 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-G relates is issued. All Form 8038-Gs shall be filed by University or Board of Governors bond counsel with the Internal Revenue Service at the following address: Internal Revenue Service, Ogden, UT 84201.

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

Part IV. Use of Debt Proceeds.

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

The Controller's Office will review, or forward to University bond counsel for review, any arrangement involving third party use of property financed or refinanced using proceeds of the University's tax-exempt debt, State Bonds, or build America bond issuances, including sale agreements, management or service contracts, leases, naming rights agreements or joint ventures, or similar arrangements pursuant to which a third party receives a special legal entitlement or economic benefit. The Controller's Office shall be responsible for monitoring all such arrangements, including the impact of such arrangements on the University's outstanding tax-exempt debt, State Bonds, and build America bonds in accordance with this Memorandum.

B. Private Business Use Generally. The University will not knowingly take or permit to be taken any action that would cause any of its outstanding tax-exempt debt, State Bonds, or build America bond issuances to become "private activity bonds," as described below. An issue of tax-exempt debt, State Bonds, or build America bonds will be considered "private activity bonds" if more than 10% 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 10% 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.

C. Management or Other Service Contracts. In the event the University enters into a management contract, service agreement, operating agreement or license with an individual or entity whose use of the University's tax-exempt debt, State Bonds or build America bond financed projects could potentially result in private business use, the University 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 University 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, State Bonds, or build America bond proceeds (such agreement, a "Service Contract").

It is the University's intent to structure all Service Contracts involving the use of tax-exempt debt, State Bonds or build America bond financed property so as to satisfy one of the private business use safe harbors set forth in (1) Revenue Procedure 97-13 for all existing Service Contracts or Service Contracts entered into before August 18, 2017, that is not materially modified or extended after such date other than pursuant to a renewal option, and (2) Revenue Procedure 2017-13 for all Service Contracts entered into on and after August 18, 2017, and all Service Contracts materially modified or extended on or after such date. A copy of each of Revenue Procedure 97-13 and Revenue Procedure 2017-13 is attached hereto as Exhibit A.

If the University enters into a Service Contract that does not satisfy the safe harbors set forth in Revenue Procedure 97-13 or Revenue Procedure 2017-13, as applicable, the University will consult with its bond counsel to assess the impact, if any, that the noncompliant Service Contract has on the tax status of the University's outstanding tax-exempt debt, State Bonds and build America bonds, if any.

D. Leases and Subleases. The University will track all leases and subleases that involve the use of tax-exempt debt, State Bonds, and build America bond 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 University desires to enter into a lease or sublease related to the use of tax-exempt debt, State Bonds or build America bond 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 University's outstanding tax-exempt debt, State Bonds, or build America bonds.

E. Naming Rights Agreements. The University will monitor all naming rights agreements that involve tax-exempt debt, State Bonds, and build America bond 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 or build America bond financed property, the University will consult with its bond counsel to determine what impact, if any, such agreement would have on the tax status of the University's outstanding tax-exempt debt and build America bonds.

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

G. Sales of Debt-Financed Property. The University typically finance projects using tax-exempt debt and build America bonds that the University 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 or build America bond financed project for which debt remains outstanding, the University will consult with its bond counsel to determine the impact, if any, such sale or disposition would have on the tax status of the University's outstanding tax-exempt debt.

H. Remedial Actions. The University is aware of the remedial action rules contained in Treasury Regulations Section 1.141-12, providing the Board of Governors and the University with the ability, in certain circumstances, to voluntarily remediate violations of the private business tests or private loan financing test. Although the University intends that none of its tax-exempt debt, State Bonds, and build America bond 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, State Bonds or build America bond issuances to, absent a remedial action, violate the private business tests or private loan financing test, the University 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 or build America bond issuance.

I. Tracking Private Business Use. The University will maintain records containing the following information for each of its outstanding tax-exempt debt, State Bonds, and build America bond issuances:

(1) Projects financed or refinanced with proceeds of the debt issuance;
(2) Whether the projects financed or refinanced with proceeds of the debt issuance are used pursuant to a service contract, lease or other third party use arrangement;
(3) In the event the projects financed or refinanced with proceeds of the debt issuance are used for a private business use, the amount of the project so used; and
(4) The private business use percentage of the debt issuance (or, in the case of the State Bonds, the private business use percentage of the portion of the financing allocable to University projects), taking into account all arrangements involving projects financed or refinanced with proceeds of the debt that give rise to private business use.

A copy of these records shall be maintained by the Controller's Office.

J. Private Loans. The University will not take or permit to be taken any action that would cause any of its tax-exempt debt issuances, State Bonds or build America bonds to be considered "private loan bonds." Such obligations 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 University will not loan the proceeds of any University tax-exempt debt issuance, State Bonds or build America bonds to a third party.

Part V. Special Provisions Applicable to Build America Bonds.

A. Use of Available Project Proceeds. One hundred percent (100%) of the available project proceeds of each of the University's build America bond debt issuances shall be used to finance capital expenditures. For these purposes, "available project proceeds" means the sale proceeds of a build America bond debt issue less costs of issuance of the issue financed with such sale proceeds (the amount of sale proceeds of the issue to be used to finance costs of issuance not to exceed two percent (2%) of the sale proceeds), plus the investment earnings thereon, including investment earnings on a reserve fund for the issue.

B. Preparation and Filing of IRS Form 8038-CP. The University will prepare a separate IRS Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds, for each claimed build America bond refundable credit payment. In the case of fixed rate build America bonds, the University will complete an IRS Form 8038-CP for each interest payment date, such IRS Form 8038-CP to be filed no later than 45 days prior to the interest payment date for which such refundable credit is claimed and no earlier than 90 days prior to the applicable interest payment date for which such refundable credit is claimed. In the case of variable rate build America bonds, the University will complete an IRS Form 8038-CP for each calendar quarter in arrears, each such IRS Form 8038-CP to be submitted to the Treasury Department no later than 45 days after the last interest payment date within the calendar quarter for which a refundable credit is claimed.

C. Retention of Records. The Controller's Office will retain a copy of each IRS Form 8038-CP submitted on behalf of the University, together with records of interest paid by the University for which such refundable credits are claimed, as described in Part VIII, "Recordkeeping," below.

Part VI. Special Provisions Applicable to State Debt Issuances that benefit the University.

The University will comply with all special instructions provided by the North Carolina State Treasurer, University of North Carolina General Administration and others related to State Bonds. Such directions will be attached to this guideline as appendices.

Part VII. Arbitrage Limitations Imposed on Debt Issuances.

A. Arbitrage Rebate Monitoring. The Controller's Office will continue to retain a third-party arbitrage rebate monitor to calculate any arbitrage rebate or yield reduction payment liability on its tax-exempt debt and build America bond issuances. The provider will perform calculations to ascertain whether the University owes an arbitrage rebate payment or yield reduction payment to the Internal Revenue Service, including whether the tax-exempt debt or build America bond issuance being examined qualifies for an exception to the arbitrage rebate rules.

B. Payment of Arbitrage Rebate and Yield Reduction Liability. In the event the University owes arbitrage rebate or has accrued a yield reduction payment liability to the Internal Revenue Service, the University 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 Controller's Office, together with payment in the amount equal to the arbitrage rebate or yield reduction payment liability in accordance with the Tax Certificate related to such debt issue. For these purposes, within 60 days after each installment computation date, the University 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 University.

In addition, within 60 days after the final installment computation date, the University 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 Controller's Office.

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, shall be filed with the Internal Revenue Service at the following address: Internal Revenue Service Center, Ogden, UT 84201.

C. Yield Restriction Limitations. Each Tax Certificate prepared for the University's tax-exempt debt and build America bond 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 University may invest proceeds of the debt issuance at an unrestricted yield.

D. Monitoring Yield Restriction Limitations. The University will comply with the yield restriction limitations outlined in the Tax Certificate entered into by the University in connection with a tax-exempt debt or build America bond issuance, including any exceptions to yield restriction described therein.

E. Expenditure of Tax-Exempt Debt Proceeds. The University will expend tax-exempt debt, State Bonds, and build America bond proceeds as promptly and diligently as possible within the confines of these Procedures and the Tax Certificate entered into by the University in connection with a particular debt issuance. For these purposes, it is the University's intent not to finance projects using the proceeds of tax-exempt debt or build America bonds for which the University expects that the tax-exempt debt or build America bond proceeds will not be fully spent within 2 years of the date of issue of the debt.

F. Arbitrage Rebate Spending Exceptions. Each Tax Certificate prepared for the University's tax-exempt debt and build America bond issuances shall contain the arbitrage rebate spending exception(s) applicable to the debt issuance.

G. Verification Agent. The University 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 University will deposit tax-exempt debt proceeds (any other amounts) to be used to advance refund prior University debt into one or more separate escrow trust accounts established with the Trustee selected for the transaction. Working with University or Board of Governors bond counsel, and in accordance with the documentation prepared for the refunding transaction, the University 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 University will timely consult with University or Board of Governors 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 University to ensure the continuing tax-exempt status of the obligations.

I. Acquiring Investments for Advance Refunding Escrows. It is the intent of the University 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, the University acquires United States Treasury Securities – State and Local Government Series (SLGS) or securities purchased on the open market in accordance with the terms of the University's bond documents.

In the event the University chooses to fund an advance refunding escrow using securities purchased on the open market, the University 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" safe harbors set forth in Treasury Regulations Section 1.148-5(d)(6).

J. Interest Rate Hedges. The University will engage a third party financial advisor for all interest rate hedges entered into by the University, 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 University will obtain appropriate certifications from its financial advisor and/or the provider to establish the fair market value of the interest rate hedge. The University 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 VIII. Accounting for Debt Proceeds.

A. General. Absent unique circumstances, and except as otherwise described in the Tax Certificate entered into by the University in connection with a tax-exempt debt or build America bond issuance, the University applies a "direct tracing" method of accounting for and allocating its tax-exempt debt, State Bonds, and build America bond proceeds.

B. Investment of Proceeds. Proceeds of the University's capital borrowings shall remain segregated in a separate fund or account held by, or in the name of, the University. In no event are proceeds of a tax-exempt debt issuance or build America bond issuance to be commingled with other funds of the University, including proceeds of other borrowings.

C. Expenditure of Debt Proceeds on Capital Projects. Each project to be financed shall be assigned a project fund number. The University shall maintain an active ledger, updated with each disbursement of tax-exempt bond or build America bond proceeds, that for each outstanding debt issuance shows:

(1) The name and date of issue of the tax-exempt debt or build America bond issue to which the proceeds relate;
(2) The projects financed with the proceeds of the issue, listed by project fund number;
(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;
(6) The date on which the debt proceeds related to each project were fully expended;

Part IX. Recordkeeping.

A. General. The University is aware of its ongoing recordkeeping responsibilities associated with its tax-exempt debt and build America bond issuances. Each Tax Certificate prepared on behalf of the University for a tax-exempt debt or build America bond issuance shall provide for a description of the records to be maintained by or on behalf of the University and period of time such records must be maintained. In addition, the University is familiar with the Internal Revenue Service's Frequently Asked Questions related to the recordkeeping requirements for tax-exempt debt, a copy of which are contained herein as Exhibit B.

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

C. Transcript and Use of Debt Proceeds. The University 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 University debt as build America bonds 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-G or 8038-B, 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 VII of these 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).

D. Investment Records. The University shall maintain detailed records with respect to every investment acquired with proceeds of its tax-exempt debt and build America bonds, 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 University 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, or, in the case of a refunding, until the date three years after the last outstanding obligation of the issue that refunded the underlying obligation is retired.

E. <u>Arbitrage Rebate and Yield Reduction Payment Records</u>. The Controller's Office shall maintain all records of arbitrage rebate payment and yield reduction payment calculations performed by the University (irrespective of whether the University 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 University 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. <u>Overpayment of Arbitrage Rebate Records</u>. In the event the University has overpaid to the United States an arbitrage rebate or yield reduction payment liability, the University shall maintain all records of such arbitrage rebate payments or yield reduction payments, including calculations performed by the University, 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.

G. <u>Private Business Use Records. The University will maintain a copy of all arrangements with third parties that involve the direct or indirect use of the projects financed with the proceeds of the University's tax-exempt debt, State Bonds or build America bonds, including all leases, management agreements, research contracts, arrangements covering the sale of bond financed property, naming rights agreements or any other agreements that give a third party a priority or preference right related to projects financed with the proceeds of the University's tax-exempt debt, State Bonds or build America bonds.</u>

H. <u>Other Records</u>. In addition to the records described above, the University 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. The University will not be responsible for maintaining the records described in this Section H. for tax-exempt debt obligations issued by the State.

I. <u>Applicability of Recordkeeping Requirement in the Event of a Refunding</u>. In the event the University issues tax-exempt debt or build America bonds to retire prior University debt, the

University shall maintain all of the records described in this Part VIII with respect to the refunded debt until the date that is three years after the last outstanding tax-exempt obligation or build America bond of the issue the proceeds of which were used to retire the refunded debt has been retired. For example, if the University issues tax-exempt obligations in 2009 (the "2009 Bonds") to refund tax-exempt obligations issued in 2004 (the "2004 Bonds"), the University will maintain the records described in this Part VIII 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 University debt, the University shall also maintain records related to such prior University debt for the same period of time.

Part X. Voluntary Closing Agreement Program.

The University 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 University to comply with the federal tax rules related to tax-exempt debt issuances. A copy of Internal Revenue Service Notice 2008-31 is attached hereto as Exhibit D.

Part XI. Continuing Education.

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