

WRITTEN PROCEDURES
RELATING TO CONTINUING COMPLIANCE
WITH FEDERAL TAX COVENANTS

These procedures, together with any federal tax certifications, letters of instructions and/or memoranda from bond counsel and any attachments thereto (the "Closing Documents") and provisions included in the authorizing document (the "Authorizing Order") with respect to the issuance and sale of tax-exempt debt such as the County's Certificates of Obligation Series 2015 (the "Obligations") are intended to assist Tom Green County, Texas (the "County") in complying with federal guidelines related to the issuance of any Obligations.

A. Arbitrage Compliance. Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. The County Auditor (such officer, together with other employees of the County who report to such officer, is collectively, the "Responsible Person") will review the Closing Documents periodically (at least once a year) to ascertain if an exception to arbitrage compliance applies.

Procedures applicable to Obligations issued for construction and acquisition purposes. With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the Responsible Person will:

1. Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed with the Obligations (the "Project") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations are entered into within 6 months of the date of closing of the Obligations (the "Issue Date") and that (ii) the Project must proceed with due diligence;
2. Monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within 3 years of the Issue Date;
3. Monitor the yield on the investments purchased with proceeds of the Obligations and restrict the yield of such investments to the yield on the Obligations after 3 years of the Issue Date;
4. Monitor all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the Interest and Sinking Fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period; and

5. Ensure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more.

Procedures applicable to Obligations with a debt service reserve fund. In addition to the foregoing, if the County issues Obligations that are secured by a debt service reserve fund, the Responsible Person will assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

Procedures applicable to Escrow Accounts for Refunding Issues. In addition to the foregoing, if the County issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:

1. Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
2. Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and
3. Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at the yield on the applicable obligations or otherwise applied (see Closing Documents).

Procedures applicable to all Tax-exempt Obligation Issues. For all issuances of Obligations, the Responsible Person will:

1. Maintain any official action of the County (such as a reimbursement resolution) stating the County's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
2. Ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
3. Assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. Generally, to be tax-exempt, not more than 10% (the "Safe Harbor") of the proceeds of each issue of Obligations can be applied (directly or indirectly) to private business use that is not unrelated or disproportionate to the County's governmental use of

Obligation financed facilities. Private business use includes use by any agencies or instrumentalities of the Federal government. The Responsible Persons will review the Closing Documents periodically (at least once a year) for the purpose of determining that the use of the facilities financed or refinanced with the proceeds of the Obligations (the "Project") do not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Persons will:

1. Develop procedures or a "tracking system" to identify all property financed with tax-exempt debt;
2. Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;
3. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the County, the employees of the County, the agents of the County or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
4. With respect to the jail facility to be funded with the proceeds of the Certificates of Obligation, Series 2015, monitor and record on a monthly basis whether the amount of Federal use of the jail facility approaches the Safe Harbor limitation applicable to the then current calendar year, and if it does, report to the Commissioners Court that further Federal use will need to be limited to remain within the Safe Harbor;
5. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the County, the employees of the County, the agents of the County or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
6. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the County, has a naming right for the facilities or any other contractual right granting an intangible benefit;
7. Monitor and record whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
8. Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Authorizing Order related to the public use of the Project.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with

the proceeds of another series of tax-exempt Obligations, such records shall be maintained until the three (3) years after the refunding Obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the County's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the Commissioners Court whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking Commissioners Court approval to engage or utilize existing advisors and agents for such purposes.