

ARBITRAGE/TAX EXEMPT BOND TAX COMPLIANCE GUIDELINES

I. Use of Tax Exempt Bond Financing

The Independent School District No. 41 of Oklahoma County, Oklahoma (Western Heights Public Schools) ("Issuer") will evaluate opportunities to utilize tax exempt bond financing for major capital projects, primarily for building construction, acquisition and renovation and may also include the acquisition of equipment or other capital expenditures. Capital costs relating to equipment and furnishings will likely be included in financings for major capital projects.

Financing with tax exempt bonds is determined through the Superintendent, Financial Advisor and Western Heights Public School Board (the "School Board").

Financing with tax exempt bonds will be coordinated with development campaigns implemented through the Issuer's Superintendent, Independent School Auditor and Treasurer to assure gifts, while providing support for new, renovated and existing facilities, do not serve as a replacement for bond financing.

The School Board will adopt a resolution as a declaration of intent to use tax exempt financing to reimburse for project capital expenditures incurred prior to the borrowing. The Superintendent and Treasurer will consult with legal counsel and advisors throughout the bond financing process, including during the post-issuance term of the bonds.

II. Tax-Exempt Bond Tax Law Compliance Requirements

Documentation

The federal tax law requirements affecting tax exempt financing are set forth in the Arbitrage Certificate and/or the Arbitrage Rebate Agreement and Arbitrage Certificate of Authority, which shall be included as a document in the closing transcript for the bonds.

The Financial Advisor will provide such closing transcript in both paper and electronic copies.

After the delivery of a tax exempt financing, the Financial Advisor or Bond Counsel shall provide the completed IRS Form 8038-G on a timely basis to the Issuer, in order for a timely filing with the IRS. A copy of the executed form and return mail receipt will be retained by the Issuer with the other tax exempt financing documents.

External Counsel/Advisors

Issuer maintains an ongoing relationship with outside legal counsel and advisors to serve as a resource for advice regarding tax exempt bond compliance. Counsel will review all contracts or arrangements involving the use of the bond financed facilities by private parties or that may be an activity that is unrelated to the exempt purpose of the organization. The services of expert advisors have been engaged to assist in the calculation of arbitrage rebate attributable to the investment of bond proceeds.

Issuer maintains a relationship with a firm to serve as financial advisor in connection with tax exempt bond financing to advise with respect to outstanding tax exempt bonds and for future capital projects.

Investments/Role of Issuer or Outside Advisor

The investment of bond proceeds is managed by either an Outside Advisor or managed by the Issuer's Treasurer. The School Board determines which bank to use and negotiates with bank.

Unexpended bond proceeds are held by the Issuer's Treasurer or Outside Advisor who are responsible for recording all investments and transactions relating to the proceeds. The Treasurer or Outside Advisor will provide regular, periodic (monthly) statements regarding the investments and transactions involving bond proceeds.

Arbitrage Rebate and Yield Restriction

The services of an expert advisor have been engaged by Issuer to assist in the calculation of arbitrage rebate attributable to the investment of bond proceeds.

Investment and checking (interest bearing account) statements and other requested documents and information will be provided to the rebate service provider upon request on a prompt basis.

Arbitrage rebate services will be monitored to assure compliance with required rebate payments, if any, no later than each 5 year period over the term of the tax exempt bonds and upon the final maturity date of each bond issue.

Alternatively, arbitrage rebate and/or yield restriction determinations will be made annually, and upon the final maturity date of each bond issue, with aforementioned data being submitted annually to the arbitrage provider.

During the construction period of the capital project, the investment and expenditure of bond proceeds will be monitored and the arbitrage rebate service provider will be consulted to determine compliance with exceptions from the arbitrage rebate requirement upon the expenditure of proceeds during each 6 month spending period up to 6 months, 18 months or 24 months, as applicable, following the issuance of the bonds.

Copies of all arbitrage reports, related return filings with the Internal Revenue Service, copies of cancelled checks with respect to any rebate payments and investment and checking (interest bearing account) statements will be retained by the Issuer's Treasurer.

Private Use of Bond Proceeds

The Superintendent will monitor the use of bond financed assets (e.g., facilities, furnishings or equipment) throughout the term of the bonds (or the expected useful life of the assets, if shorter) to identify any use by a private person, including any use that is unrelated to the tax exempt purpose of the organization.

Monitoring of such private use must assure that no more than 5% of the bond proceeds are privately used. Bond proceeds applied to pay costs of issuing the bonds are treated as a private use.

Records will be maintained identifying the assets or portion of assets that are financed with tax exempt bond proceeds of each issue.

Outside legal counsel and advisers have been engaged and will be consulted to review any contracts or arrangements involving private or unrelated use of the bond financed facility and to assist in monitoring the use of bond financed assets to assure compliance with the 5% limitation on the use of bond proceeds for private use.

Records will be maintained for any contracts or arrangements involving private or unrelated use of the bond financed facility.

All relevant records and contracts will be maintained as described below.

III. Record Keeping Requirements

A copy of all relevant documents and records sufficient to support that the requirements relating to the tax-exempt status of the bonds have been satisfied will be maintained by the Issuer's Superintendent and Treasurer for the term of the bonds (including refunding bonds, if any) plus three years, including the following documents and records:

- Bond closing transcript and other relevant documentation.
- Electronic and paper copy of documents will be provided to the Issuer by the Financial Advisor or Bond Counsel
- All documents relating to capital expenditures financed by bond proceeds. Such documents will include construction contracts, purchase orders, invoices, trustee requisitions (if applicable) and payment records. Such documents will include documents relating to costs reimbursed with bond proceeds.
- Records will be maintained identifying the assets or portion of assets that are financed with tax exempt bond proceeds.
- All contracts and arrangements involving private or unrelated use of the bond financed assets.
- All reports relating to the allocation of bond proceeds and private or unrelated use of bond financed assets.
- All records of investments, investment agreements, arbitrage reports, return filings with the IRS and underlying documents, including investment and checking (interest bearing account) statements.

IV. Annual Review

The Superintendent and Independent School Auditor will coordinate an annual review process on an August cycle, to investigate, monitor, assure and document compliance with tax exempt bond tax requirements.

Adopted: 08-08-2011