# ARBITRAGE CERTIFICATE

I certify the following with regard to the $4,450,000 aggregate principal amount of Portofino Shores Community Development District Special Assessment Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") issued today by the Portofino Shores Community Development District (the "District"). The Series 2013 Bonds are being issued pursuant to Chapter 190, Florida Statutes; Resolution No. 2013-02 adopted by the District on March 5, 2013 (as amended and supplemented to date) (the "Bond Resolution"); and a Trust Indenture dated as of March 1, 2013 (the "Indenture") between the District and U.S. Bank National Association, as trustee (the "Trustee"). This certificate is being provided to establish the representations and expectations of the District that are applicable to the Series 2013 Bonds under the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder (the "Treasury Regulations"). I am an officer of the District charged, with others, with the responsibility for issuing the Series 2013 Bonds. Terms not otherwise defined in this certificate have the meanings given to them in the Indenture.

1. **Purpose of the Series 2013 Bonds**. The Series 2013 Bonds are being issued to: (i) currently refund the outstanding principal amount of the District's Special Assessment Bonds, Series 2003A (the "Prior Bonds"), (ii) fund a deposit to the Debt Service Reserve Fund established for the Series 2013 Bonds, and (iii) pay costs of issuing the Series 2013 Bonds. The Prior Bonds were issued on March 14, 2003 pursuant to a Trust Indenture dated as of March 1, 2003 (the "Prior Bonds Indenture") to (i) pay all or a portion of the capital costs of a stormwater management system, certain roadway systems, water distribution facilities, sanitary sewer facilities, wastewater collection facilities, re-use water facilities and off-site utilities, as more particularly described in the Engineer's Report of Capital Improvements prepared for the District

by Culpepper & Terpening, Inc. dated March of 2003 (the "Projects"), (ii) pay capitalized interest on the Prior Bonds, (iii) fund a deposit to the Debt Service Reserve Fund established for the Prior Bonds and (iv) pay the costs of issuing the Prior Bonds. Other than as described herein, there are no remaining proceeds of the Prior Bonds.

2. **Proceeds of the Series 2013 Bonds**. I reasonably expect the following with respect to the use of the proceeds of the Series 2013 Bonds:

(a) The net sale proceeds of the Series 2013 Bonds are $4,450,000, representing the $4,450,000 par amount thereof (the "Net Proceeds"), together with $881,220.89 of available moneys on deposit in the funds and accounts held under the Prior Bonds Indenture (the "Available Moneys"), will be used as follows:

(i) $6,000.00 of the Net Proceeds will be retained by the initial Purchaser (defined below) of the Series 2013 Bonds and used for the payment of its credit review and counsel fees;

(ii) $3,962,362.84 of Net Proceeds, together with $743,437.16 of Available Moneys, shall be deposited with the Escrow Agent and applied in the manner directed by the Escrow Deposit Agreement to currently refund and redeem the Prior Bonds on May 1, 2013;

(iii) $316,608.00 of Net Proceeds shall be deposited in the Debt Service Reserve Fund to fund the Debt Service Reserve Requirement for the Series 2013 Bonds;

(iv) $165,029.16 of Net Proceeds shall be deposited in the Costs of Issuance Fund and used to pay costs of issuance of the Series 2013 Bonds on or about the date hereof;

(v) $77,783.73 of Available Moneys shall be deposited in the Interest Account and used to pay a portion of the interest on the Series 2013 Bonds on November 1, 2013; and

(vi) $60,000 of Available Moneys representing amounts currently on deposit in the Revenue Account established under the Prior Bonds Indenture shall be deposited to the general fund of the District and used by the District for any lawful purpose.

(b) The Net Proceeds of the Series 2013 Bonds do not exceed the amount necessary for the governmental purpose of the Series 2013 Bonds.

3. **Payment of the Series 2013 Bonds**.

(a) The Trustee is required upon receipt to deposit all Special Assessments (other than Prepayments of Special Assessments) in the Revenue Fund. Prepayments of Special Assessments are deposited as received in the Bond Redemption Fund. The Trustee is required to transfer amounts from the Revenue Fund to the Funds and Accounts as set forth below:

(i) upon receipt but no later than the Business Day preceding the first May 1 for which there is an insufficient amount of money on deposit in the Interest Account to be applied to the payment of interest on the Bonds due on the next succeeding May 1, and no later than the Business Day next preceding each May 1 thereafter while the Bonds issued under this Indenture remain Outstanding, to the Interest Account of the Debt Service Fund, an amount equal to the interest on the Bonds becoming due on the next succeeding May 1, less any amount on deposit in such Interest Account not previously credited;

(ii) upon receipt but no later than the Business Day next preceding each applicable May 1 while the Bonds remain Outstanding, to the Principal Account of the

Debt Service Fund, an amount equal to the principal amount of Bonds maturing on the next succeeding principal payment date, less any amount on deposit in the Principal Account not previously credited;

(iii) beginning on the Business Day preceding May 1, 2014 and no later than the Business Day next preceding each May 1 thereafter while the Bonds remain Outstanding, to the Sinking Fund Account of the Debt Service Fund, an amount equal to the principal amount of Bonds subject to mandatory sinking fund redemption on the next succeeding principal payment date, less any amount on deposit in the Sinking Fund Account not previously credited;

(iv) upon receipt but no later than the Business Day preceding the first November 1 for which there remains an insufficient amount of money on deposit in the Interest Account to be applied to the payment of interest on the Bonds due on the next succeeding November 1, and no later than the Business Day next preceding each November 1 thereafter while the Bonds remain Outstanding, to the Interest Account of the Debt Service Fund, an amount equal to the interest on the Bonds becoming due on the next succeeding November 1, less any amount on deposit in the Interest Account not previously credited;

(v) upon receipt but no later than the Business Day next preceding each Interest Payment Date while the Bonds remain Outstanding, to the Debt Service Reserve Fund, an amount equal to the amount, if any, which is necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement;

(vi) the balance of any moneys remaining after making the foregoing deposits shall remain therein.

(b) Prepayments of Special Assessments shall be deposited in the Bond Redemption Fund. Amounts deposited to the Bond Redemption Fund shall be used to fund deposits to the Rebate Fund, and if not so required, to redeem Series 2013 Bonds in accordance with the terms of the Indenture.

(c) Special Assessments deposited in the Revenue Fund for transfer to the Interest Account, Principal Account and Sinking Fund Account, and Prepayments of Special Assessments deposited in the Bond Redemption Fund, will be expended within 13 months of their deposit to pay scheduled debt service on or to redeem the Series 2013 Bonds. Thus, the Revenue Fund (to the extent of transfers to the Interest, Principal and Sinking Fund Accounts), the Interest, Principal and Sinking Fund Accounts and the Bond Redemption Fund will be used to achieve a proper matching of revenues and debt service in each bond year. The foregoing accounts will be fully depleted at least annually, except for a reasonable carryover amount not to exceed the greater of (A) one year's earnings on such amounts for the immediately preceding bond year or (B) one-twelfth of annual debt service on the Series 2013 Bonds for the immediately preceding bond year.

(d) The District has covenanted to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Series 2013 Bonds. The Debt Service Reserve Requirement for the Series 2013 Bonds is $316,608.00 and is being funded on the date hereof with Net Proceeds of the Series 2013 Bonds. The Debt Service Reserve Requirement does not exceed the least of (i) 10 percent of the stated principal amount of the Series 2013 Bonds, (ii) maximum annual debt service on the Series 2013 Bonds and (iii) 125 percent of average annual debt service on the Series 2013 Bonds. No more than 10% of the Net Proceeds of the Series 2013 Bonds is being used to fund the deposit to the Debt Service Reserve

Fund. Attached as Exhibit A is a Certificate of Purchaser regarding the establishment of the Debt Service Reserve Fund.

(e) Other than the Revenue Fund, Interest Account, Principal Account, Sinking Fund Account, Bond Redemption Fund and Debt Service Reserve Account, there are no funds or accounts held under the Indenture or otherwise that are reasonably expected to be used to pay debt service on or to secure the Series 2013 Bonds.

4. **Bond Yield**. The yield on the Series 2013 Bonds (determined as the semiannual discount rate at which the present value of payments of principal and interest equals the purchase price of the Series 2013 Bonds) is 3.6795 percent (the "Bond Yield"). For purposes of this calculation, the purchase price of the Series 2013 Bonds is $4,450,000, representing the face amount of the Series 2013 Bonds. The Series 2013 Bonds have been sold by the District to Branch Banking and Trust Company (the "Purchaser") at a purchase price of par, which price was determined based on an arms-length negotiation between the parties. A Certificate of the Purchaser to this effect is attached as Exhibit A hereto.

5. **Refunding Escrow**. Amounts deposited to the Escrow Account will be held uninvested until used to pay the Prior Bonds on May 1, 2013, which date is not more than 90 days from the date hereof.

6. **Other Tax Representations**.

(a) The District reasonably expects that the Series 2013 Bonds will meet neither the private business tests of section 141(b) of the Code, nor the private loan financing test of section 141(c) of the Code for the entire term of the Series 2013 Bonds.

(b) The District or another governmental entity is the owner of the Projects for federal income tax purposes. No portion of the proceeds of the Series 2013 Bonds will be used

to make improvements to any property owned by a nongovernmental person within the meaning of Treasury Regulation §§1.141-1(b) and 1.141-5(d).

(c) The weighted average maturity of the Series 2013 Bonds is 11.7933 years which does not exceed the remaining weighted average maturity of the Prior Bonds (13.1090 years).

(d) The District or another governmental person is the owner of the Projects for federal income tax purposes. Except as otherwise advised by nationally recognized bond counsel, during the period that any Series 2013 Bond is outstanding, the owner of the Projects will not enter into: (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, (ii) any output contract within the meaning of Treasury Regulation §1.141-7(c) that transfers to any entity other than a governmental entity the benefits of owning the Projects and the burden of paying debt service on the Series 2013 Bonds, and (iii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to the Projects.

(e) The payment of principal and interest with respect to the Series 2013 Bonds will not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Series 2013 Bonds, or amounts treated as proceeds of the Series 2013 Bonds, will not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Series 2013 Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund, or (iii) may be invested in obligations issued by the United States Treasury.

(f) The Series 2013 Bonds are not "hedge bonds" within the meaning of section 149(g) of the Code and Treasury Regulation §1.149(g)-1 because on the date of issuance of the Prior Bonds: (i) the District reasonably expected that 85% of the spendable proceeds of the Prior Bonds would be used to carry out the governmental purpose of the Prior Bonds within three years and (ii) not more than 50% of the proceeds of the Prior Bonds was invested in nonpurpose investments having a substantially guaranteed yield for four years or more. The Series 2013 Bonds are being issued for the governmental purpose of achieving debt service savings and not to hedge against future increases in interest rates.

(g) The Prior Bonds have not been the subject of an audit by the Internal Revenue Service (the "IRS").

7. **Public Use of Project**. All facilities comprising the Projects, including park and recreational facilities (if any), are open to the public either free of charge or on the basis of rates that are generally applicable and uniformly applied. The District covenants that all roads and roadway systems financed with proceeds of the Prior Bonds are operated as public roads and any member of the public has free and unrestricted access to such roads.

8. **Arbitrage Rebate**. The District has complied with the arbitrage rebate covenants applicable to the Prior Bonds. The District hereby agrees to comply with the Arbitrage Rebate Covenants attached as Exhibit B to this certificate with respect to the Series 2013 Bonds.

9. **Bank Qualification**. The District designated the Series 2013 Bonds as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code. The District (including any subordinate entities or entities issuing tax-exempt obligations on behalf of the District within the meaning of section 265(b)(3) of the Code) has not issued, and does not reasonably expect to issue, tax-exempt obligations (other than obligations permitted under section 265(b)(3) of the

Code) during calendar year 2013 which, together with the Series 2013 Bonds, will exceed $10,000,000.

10. **Written Policies and Procedures.** The District hereby adopts the written policies and procedures (the "Procedures") in the form attached as Exhibit C hereto in order to ensure that any nonqualified Series 2013 Bonds will be remediated according to the requirements under the Code and Treasury Regulations, and to monitor compliance with the requirements of Section 148 of the Code. The District shall integrate the Procedures into its operation of the Projects and its ongoing management of its obligations under the Series 2013 Bonds.

11. **Audit Risk**. The District acknowledges and understands that there are potential risks concerning interpretive positions being considered by the IRS with respect to community development districts and that such interpretations could potentially adversely affect the holders of the Series 2013 Bonds. The IRS is examining certain bonds issued by the Village Center Community Development District (the "Village Center"). The Village Center has filed a material events notice dated October 31, 2012 indicating that, through verbal communication, the IRS Office of Chief Counsel has tentatively concluded in connection with a request for technical advice that the Village Center is not a political subdivision for purposes of Section 103(a) of the Code because a controlling portion of the governing board at the time it issued the bonds under examination was elected by one property owner. It is not possible to predict when the IRS's examinations of the Village Center bonds will be concluded, the outcome of the examinations and the impact, if any, of such outcome on the District. There is no assurance that an audit by the IRS of the Series 2013 Bonds will not be commenced, and if commenced, whether the position being taken by the IRS in connection with the Village Center would be extended to the District, the Prior Bonds or the Series 2013 Bonds. The District could settle an audit of the

Series 2013 Bonds in which the IRS determined the interest on the Series 2013 Bonds was not excludable from gross income for the foregoing reasons, or the District could file an administrative appeal within the IRS. If the District were to lose such an appeal, the interest on the Series 2013 Bonds would be declared subject to inclusion in gross income of the holders thereof from the issue date of the Series 2013 Bonds, unless the District entered into a settlement with the IRS. In the event the IRS determines in an audit that the interest on the Series 2013 Bonds is not excludable from gross income for the reasons stated above, unless a bondholder, such as the Purchaser, refuses to pay tax on the interest it receives or pays such tax and sues the IRS for a refund, there is no procedural avenue to bring the IRS determination to a court for review.

To the best of my knowledge and belief, the expectations stated in this certificate are reasonable.

WITNESS my hand this 27th day of March, 2013.

**PORTOFINO SHORES COMMUNITY DEVELOPMENT DISTRICT**

By: Henry L Schmitz Jr

Chairperson

## EXHIBIT A

## CERTIFICATE OF PURCHASER

I, the undersigned officer of Branch Banking and Trust Company (the "Purchaser"), hereby certify the following with respect to the $4,450,000 Special Assessment Revenue Refunding Revenue Bonds (the "Series 2013 Bonds") issued on the date hereof by the Portofino Shores Community Development District (the "District"):

(a) The Purchaser purchased the Series 2013 Bonds at a purchase price of par pursuant to an arms-length negotiation with the District. The Purchaser is not purchasing the Series 2013 Bonds for more than one account or with a view to distributing the Series 2013 Bonds.

(b) The Purchaser required the establishment and funding of the Debt Service Reserve Fund in the amount of the Debt Service Reserve Requirement in order to purchase the Series 2013 Bonds.

DATED: March 27, 2013

**BRANCH BANKING AND TRUST COMPANY**

By: _____
Name: Michael C. Smith
Its: Vice President

## EXHIBIT B

## ARBITRAGE REBATE COVENANTS

The District hereby agrees to the following procedures in order to ensure that the Series 2013 Bonds will comply with the Code and Regulations (as defined below) with respect to certain restrictions on arbitrage.

### ARTICLE I
### Definitions

Section 101. Terms not otherwise defined in Section 102 hereof shall have the meanings given to them in the Arbitrage Certificate delivered today by the District in connection with the issuance of the Series 2013 Bonds.

Section 102. The following terms shall have the following meanings:

**Bond Counsel's Opinion** shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

**Bond Year** shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond year shall begin on the date of issue of the Series 2013 Bonds and shall end on the date selected by the District, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Series 2013 Bond.

**Bond Yield** is 3.6795 percent. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the present value of the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Series 2013 Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Series 2013 Bonds and using semi-annual compounding on the basis of a 360-day year.

**Code** shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

**Gross Proceeds** shall mean:

(a) any amounts actually or constructively received by the District from the sale of the Series 2013 Bonds but excluding amounts used to pay accrued interest on the Series 2013 Bonds within one year of the date of issuance of the Series 2013 Bonds;

(b) transferred proceeds of the Series 2013 Bonds under Regulations section 1.148-9;

(c) any amounts actually or constructively received from investing amounts described in (a), (b) or this (c); and

(d) replacement proceeds of the Series 2013 Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Series 2013 Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2013 Bonds in the event the District encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4).

Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Indenture.

**Investment Property** shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

**Issue Price** is $4,450,000, which is the initial price at which the Series 2013 Bonds were sold to the Purchaser thereof. Issue price shall be determined as provided in Regulations section 1.148-1(b).

**Nonpurpose Investment** shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Series 2013 Bonds.

**Payment** shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

**Rebate Requirement** shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

**Receipt** shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

**Regulations** shall mean the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including any amendments thereto or successor regulations.

**Yield** shall mean the discount rate that, when used in computing the present value as of the date the Nonpurpose Investment is first allocated to the Series 2013 Bonds of all unconditionally payable receipts from the Nonpurpose Investment, produces an amount equal to

the present value of all unconditionally payable payments for the Nonpurpose Investment, using the same compounding interval and financial convention used to compute the Bond Yield. The purchase price of a Nonpurpose Investment is the amount of Gross Proceeds directly used to purchase the investment (including brokerage commissions and other qualified administrative costs within the meaning of Regulations section 1.148-5(e)(2)) or, if not so directly purchased, its value (as determined under Regulations section 1.148-5(d)) on the date it becomes a Nonpurpose Investment.

## ARTICLE II
## Rebate Payments

Section 201. Within 60 days after the end of each Bond Year, the District shall calculate the Rebate Requirement and shall pay to the Trustee for deposit in the Rebate Fund established under the Indenture the amount by which the Rebate Requirement exceeds the amount on deposit in the Rebate Fund. The District shall direct the Trustee to pay to the United States of America out of amounts held in the Rebate Fund:

(a) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Series 2013 Bonds (determined as of the last day of such Bond Year), is equal to at least 90% of the Rebate Requirement (determined as of the last day of such Bond Year); and

(b) not later than 60 days after the retirement of the last Series 2013 Bond, an amount which, when added to the future value of all previous rebate payments with respect to the Series 2013 Bonds (determined as of the date of retirement of the last Series 2013 Bond), is equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Series 2013 Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, or such other address as may be required by the Internal Revenue Service, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

## ARTICLE III
## Investments

Section 301. No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

Section 302. For purposes of Section 301, whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(a) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller

in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(b) Except as provided in Section 303 and 304, a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(c) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

Section 303. The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(a) the yield on reasonably comparable direct obligations of the United States; and

(b) 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.

Section 304. A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(a) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the Series 2013 Bonds), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying the requirements in the Regulations that the District receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Series 2013 Bonds.

(b) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(c) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Series 2013 Bonds (e.g., a lead underwriter within 15 days of the issue date of the Series 2013 Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the District uses an agent to conduct the bidding, the agent may not bid.

(d) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(e) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(f) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(g) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(h) The District retains until three years after the last outstanding Series 2013 Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the District and a copy of the provider's certification described in (g) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

## ARTICLE IV
## Further Assurances

Section 401. The District shall take all necessary and desirable steps to comply with the requirements hereunder in order to ensure that interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the District receives a Bond Counsel's Opinion that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2013 Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the District receives such a Bond Counsel's Opinion, the District agrees to amend these Covenants to conform to the requirements set forth in such opinion.

Section 402. If for any reason any requirement hereunder is not complied with, the District shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered is discovered or should have been discovered with the exercise of reasonable diligence and the District shall pay any required interest or penalty under Regulations section 1.148-3(h).

## EXHIBIT C

## PORTOFINO SHORES COMMUNITY DEVELOPMENT DISTRICT TAX-EXEMPT BOND WRITTEN POLICIES AND PROCEDURES

In connection with the issuance of tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, "tax-exempt bonds") that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the "Code"), the Portofino Shores Community Development District (the "District") hereby adopts the following policies and procedures which are intended to constitute written procedures for ongoing compliance with the Federal tax requirements applicable to the tax-exempt bonds and for the timely identification and remediation of violations of such requirements.

- In connection with the issuance of tax-exempt bonds, the Chairperson of the Board of Supervisors will sign a tax certificate prepared by Bond Counsel which sets forth (i) the District's reasonable expectations as to the use of the proceeds of the tax-exempt bonds; and (ii) instructions for post-issuance compliance with the federal tax laws relating to the tax-exempt bonds. The District's District Manager shall thereafter be responsible for monitoring compliance with the provisions of the tax certificate.

- The District's District Manager shall identify persons responsible for monitoring ongoing compliance with the tax requirements and provide adequate training to such persons, including training with respect to the requirements of the Code applicable to the expenditure of proceeds of the tax-exempt bonds and the private use of bond-financed projects. The District's District Manager, or such other responsible persons, shall annually review compliance with these procedures and the terms of the applicable tax compliance certificates in order to determine whether any violations have occurred so that such violations can be timely remediated through the "remedial action" provisions of the United States Treasury Regulations or through the Voluntary Closing Agreement Program administered by the Internal Revenue Service (the "IRS").

- The District's District Manager will work with the District's Bond Counsel, Placement Agent, or Underwriter, if applicable, to obtain a written certification as to the offering price of bonds so as to establish the issue price of bonds for arbitrage purposes.

- The District's District Manager will work with Bond Counsel to ensure that the IRS Form 8038-G is filed in a timely manner in connection with the issuance of bonds.

- The District's District Manager will periodically check the financial records and expenditures of the District to ensure that (i) clear and consistent accounting procedures are being used to track the investment and expenditure of bond proceeds, (ii) bond proceeds are timely expended in accordance with the applicable temporary period rules of the arbitrage regulations, and (iii) bond proceeds are expended in accordance with the expectations contained in the tax certificate. The District's District Manager will ensure that a final allocation of bond proceeds (including investment earnings) to qualifying expenditures is made with respect to its tax-exempt bond proceeds.

- The District's District Manager or other designated responsible persons will review arrangements for the use of bond-financed facilities with non-governmental persons or organizations or the federal government (collectively referred to as "private persons") in order to ensure that applicable private activity bond limitations are not exceeded. Such review shall include the review of contracts or arrangements with private persons with respect to bond-financed facilities which could result in private business use of the facilities, including the sale of facilities, leases, management or service contracts, research contracts or other contracts involving "special legal entitlements" to bond-financed facilities. If it appears that applicable private activity bond limitations are exceeded, the District shall immediately contact Bond Counsel.

- The District's District Manager shall comply with the arbitrage rebate covenants contained in the tax certificate. The District's District Manager shall hire a rebate analyst or otherwise ensure that the rebate calculations are conducted in a timely manner in order to determine compliance with arbitrage yield restrictions and rebate requirements with respect to its bonds.

- The District shall ensure that for each issue of bonds, the transcript and all records and documents described in these procedures will be maintained while any of the bonds are outstanding and during the three-year period following the final maturity or redemption of that bond issue, or if the bonds are refunded (or re-refunded), while any of the refunding bonds are outstanding and during the three-year period following the final maturity or redemption of the refunding bonds.

- The District will follow the above-described procedures to comply with all tax-exempt bond requirements. If any violations of the above or other applicable provisions of the federal tax laws relating to tax-exempt bonds are discovered, the District shall immediately contact Bond Counsel to determine the appropriate course of action to remedy such violation, including contacting the IRS, if necessary.

The Portofino Shores Community Development District Tax-Exempt Bond Policies and Procedures are hereby adopted this 27th day of March, 2013.

WPB 382987584v4/3-25-13/106512.010200