



TO HOLDERS OF:

**GLADES CORRECTIONAL DEVELOPMENT CORPORATION
FIRST MORTGAGE REVENUE BONDS
(GLADES COUNTY DETENTION CENTER PROJECT), SERIES 2006
CUSIP 376458AB1 7.375% DUE 3-1-2030**

Material Tax Event

This Notice contains important information that is of interest to the registered and beneficial owners of the above-referenced Bonds. Each registered holder of the Bonds should forward a copy of this Notice immediately to any beneficial owner(s) of the Bonds for whom the holder acts as nominee or in any other capacity.

Please take notice of the following events relating to the above-referenced Bonds:

UMB Bank, N.A., serves as successor trustee (the "Trustee") under that Trust Indenture dated as of March 1, 2006 (the "Indenture") under which the Glades Correctional Development Corporation (the "Issuer") issued the above-referenced Bonds.

RECEIPT OF IRS NOTICE OF PROPOSED ISSUE

The Issuer has received from the Internal Revenue Service ("IRS") a Notice of Proposed Issue on IRS Form 5701-B ("NOPI"), a copy of which is attached hereto. The NOPI concludes that interest on the Bonds is not excludable from gross income under section 103 of the Internal Revenue Code, because the Bonds are taxable private activity bonds. This is a preliminary determination, not a proposed adverse determination or a final determination.

Previously the IRS had advised Trustee's counsel that it was willing to close its examination of the Bonds with no change to the excludability of interest on the Bonds from gross income, provided the Issuer moved expeditiously to reissue the Bonds as taxable bonds, the interest on which would be taxable commencing with the reissuance. The IRS has reaffirmed this willingness after issuing the NOPI, and indicated that it is willing to extend the deadline for a response to the NOPI. Any such reissuance would be treated as an exchange of the Bonds for the new, taxable bonds for federal income tax purposes.

As stated in the previous Notice issued by the Trustee on September 1, 2016, an Event of Default under Section 8.01 of the Indenture has occurred, and the occurrence of an Event of Default creates certain remedial rights and remedies in favor of the Trustee. Under Section 8.04 of the

Indenture, the owners of a majority in aggregate principal amount of the Bonds outstanding (the “Majority Holders”) have the right to direct the Trustee with regard to such rights and remedies, in accordance with provisions of the Indenture.

The Majority Holders, the Trustee, and the Issuer have negotiated and approved the general terms for a restructuring of the Bonds that would result in the reissuance of the Bonds as taxable bonds, subject to court approval in a trust instruction proceeding. A copy of the Proposed General Financial Terms for Refunded Glades County Detention Center Bonds is attached hereto. The Trustee plans to proceed to initiate a trust instruction proceeding in the Hennepin County (Minnesota) District Court, which will require an additional notice to bondholders.

CONTACT INFORMATION

Bondholders who have questions about this Notice should contact the Trustee at the following address:

UMB Bank, N.A.
Corporate Trust Services
120 South Sixth Street, #1400
Minneapolis, MN 55402
Attention: Lorna Gleason
Phone: (816) 213-4547
Email: *Lorna.Gleason@umb.com*

THE TRUSTEE MAY CONCLUDE THAT A SPECIFIC RESPONSE TO PARTICULAR INQUIRIES FROM INDIVIDUAL BONDHOLDERS IS NOT CONSISTENT WITH EQUAL AND FULL DISSEMINATION OF SIGNIFICANT INFORMATION TO ALL HOLDERS OF THE BONDS. MOREOVER, THE MATTERS DISCUSSED IN THIS NOTICE AND ALL OTHER NOTICES ISSUED BY THE TRUSTEE ARE FOR INFORMATION PURPOSES, AND BONDHOLDERS SHOULD NOT RELY ON THE TRUSTEE AS THEIR SOLE SOURCE OF INFORMATION ABOUT MATTERS RELATED TO THE BONDS. THE TRUSTEE MAKES NO RECOMMENDATIONS AND GIVES NO INVESTMENT ADVICE HEREIN OR AS TO THE BONDS, GENERALLY.

February 13, 2017

UMB Bank, N.A., as Trustee

Notice of Proposed Issue

Name of issuer Glades Correctional Development Corporation	Proposed issue number 1
Name of bond issue Glades County Detention Center Project	Notice provided to Thomas D. Vander Molen, POA and Alvin Ward, President & GCDC Board Member
Issuer's address 1297 East State Road 78, Moore Haven, Florida 33471	Issuer's EIN 03-0479709
Name of conduit borrower (if applicable) N/A	Bond issue date March 14, 2006

Based on the information we now have available and our discussions with you, we believe the proposed issue/adjustment described below should be included in the results of the examination. However, if you have additional information that would alter or reverse this proposal, or are in disagreement with the facts, please furnish this information by the date indicated below.

Bond Series	IRC Section(s)	Issue Description
\$33,000,000 FIRST MORTGAGE REVENUE BONDS, SERIES 2006	IRC. SEC. 141	\$33,000,000 GLADES CORRECTIONAL DEVELOPMENT CORPORATION FIRST MORTGAGE REVENUE BONDS, (Glades County Detention Center Project), Series 2006

Reasons for Proposed Issue

(If the explanation of the issue/adjustment will be longer than the space provided below, the entire explanation should begin on Form 886-A, Explanation of Items)

SEE ATTACHED FORM 886-A

Taxpayer/Representative's action <input type="checkbox"/> Agree <input type="checkbox"/> Agree In Part <input type="checkbox"/> Disagree	Response due date 02/27/2017
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Provide an explanation if you "Agree In Part" or "Disagree"

Signature Janae R. Lemley	<small>Digitally signed by Janae R. Lemley DN: c=US, o=U.S. Government, ou=Department of the Treasury, ou=Internal Revenue Service, ou=People, serialNumber=339378, cn=Janae R. Lemley Date: 2017.01.26 15:09:44 -0600</small>	Date 1/26/2017
Group Manager Janae R Lemley	Date of notice 1/26/2017	

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit
Name of Issuer/Bonds Glades Correctional Development Corporation \$33,00,000 First Mortgage Revenue Bonds (Glades County Detention Center Project), Series 2006	Issuer's EIN 03-0479709	Year/Period ended 2006-03

ISSUE:

The issue is whether interest on the bonds issued by Glades Correctional Development Corporation is excluded from gross income under IRC SEC 103(a) or taxable private activity bonds within the meaning of IRC §141 and the related regulations?

ISSUER:

The issuer is a Florida not for profit corporation incorporated pursuant to the Florida Not for Profit Corporation Act, Chapter 617, Florida Statutes, as amended (the "Act"), which is issuing the Bonds on behalf of Glades County, Florida (the "County") within the meaning of Internal Revenue Service Procedure Rev. Proc. 82-26.

Glades Correctional Development Corporation ("the Issuer") is a not for profit corporation which was incorporated on May 6, 2002 for the purpose of acquiring, constructing, erecting, maintaining and/or operating one or more jails and incarceration facilities, including related building and works, for the housing and incarceration of inmates and criminals and to otherwise assist Glades County in its policies of providing adequate jail and incarceration facilities for use by the Sheriff of Glades County, the State of Florida or other governmental law enforcement divisions, and in the economic development of Glades County.

FACTS:

The Bonds were issued by Glades Correctional Development Corporation to finance the cost of the acquisition of approximately twenty-two (22) acres of land located at the northwest corner of the intersection of State Route 78 and U.S. Highway 27 in Glades County, Florida and the construction thereon of a 440-bed jail facility (the "Facility") for the incarceration of inmates, detainees and criminals.

The Issuer's survey report and Official Offering Statement indicated that the Facility originally intended to be used mainly by United States Bureau of Immigration and Customs Enforcement of the US Department of Homeland Security ("ICE") boarding room and office for ICE staff. The Facility's beds originally intended to be used for detainees from ICE, the United States Marshal's Service ("USMS") and from Glades County.

The Official Statement states, "The Bonds are payable solely from the rents and other Revenues, as hereinafter defined, and are secured solely by an assignment and a pledge of such rents and other Revenues from the Project." It further states that the issuer is not

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responsible for obligation or the payment of the debt service on the bonds and "the owner of the bonds should look exclusively to the project for the payment of principal and interest on the bonds."

Under the Indenture, the Issuer granted the Trustee all revenues in respect of the project as security for the debt.

The Indenture defines Revenues as including, "(i) all rentals, revenues, grants (including rent subsidies), and fees receivable in respect of the Project, including, without limitation, any receipts from concessionaires servicing the Project, any vending machines and laundry machines or similar receipts, with respect to the Project...and all other moneys deposited in the Facility Revenue Fund from whatever source."

The Issuer's Feasibility Analysis Report prepared by GSA, Ltd and the issuer's Official Statement projected that the proposed facility will be used by ICE as the primary user and USMS as the secondary user. Historical record provided by the issuer in reply to Document Request revealed that inmates of Federal Agencies represent over 85% of all inmates in the Facility.

Under the heading "Financial Structure and Objectives of the Project" in the Feasibility Analysis Report, it states, "It is the Corporation's intent to rent the proposed facility's beds to ICE and the USMS with the income generated used to defray operational and debt service costs."

Furthermore, the Management Agreement between the issuer and GLADES COUNTY SHERIFF'S OFFICE specifically states that the issuer agrees to allow the Manager to accept all eligible prisoners, subject to the housing limitation, from ICE and USMS.

The Intergovernmental Service Agreement with ICE and USMS calls for of daily rental charges of \$80.64 for each federal inmate housed in the facility.

The issuer's only source of revenue for operational costs of the facility and for payment of principal and interest on the bonds is from bed rentals and other minor revenues in respect of the facility.

In the Financial Projection Report prepared by Higginbotham & Soud, PA, CPA, the report showed that "Glades County (the County) has been a provider of secure bed space to the Bureau of Immigration and Customs Enforcements of the U.S. Homeland Security (ICE) and the U.S. Marshalls Service (USMS) for a number of years and has determined that those agencies will continue to have a substantial need for beds in Florida. ...The Construction of a

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new detention facility is viewed as a means to address the County's own need and as an opportunity to offer beds for rental to the above-mentioned Federal agencies, producing economic benefits to the County."

LAW:

IRC §103(a) of the Code provides that, except as provided in §103(b), gross income does not include interest on any state or local bond.

Section 103(b) of the Code provides that §103(a) shall not apply to any private activity bond which is not a qualified bond (within the meaning of §141).

IRC §141(a) provides that the term "private activity bond" means any bond issued as part of an issue which meets either the private business use and private payment or security interest tests, OR meets the private loan financing test of §141(c).

IRC §141 provides that the private business test is met if both of the following are true:

1. More than 10% of the proceeds of the bonds is to be used for private business use; and
2. More than 10% of the debt service on the bonds is to be derived directly or indirectly from payments for private business property or secured by private business property.

Under IRC §141, the private loan financing test is met if more than the lesser of:

1. 5% of bond proceeds or
2. \$5,000,000 is to be used (directly or indirectly) to make or finance loans to persons other than governmental persons.

ANALYSIS:

The bonds were issued with the intent to build a facility to be rented to federal agencies to house their federal inmates. The issuer records specifically states that the facility will be used by ICE as the primary user and USMS as the secondary user. In addition, historical records and responses to Information Document Requests show that from 2007-2015, federal inmates represent over 85% of all inmates in the facility, clearly meeting the private business use test of IRC §141.

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The issuer's financial forecast mainly relied on rental income from federal agencies for housing their inmates in the facility to pay operational cost and to pay debt service on the bonds.

The issuer's only source of revenue for operational costs of the facility and for payment of principal and interest on the bonds is over 85% from bed rentals to federal agencies and the balance was from other rental and minor other revenues in respect of the facility. This indicates that the private payment test under IRC §141 is met.

Accordingly, we conclude that the bonds met the private business tests of IRC §141 and the Regulations.

CONCLUSION

Since the Bonds meet the private business use and private payment tests, interest on the Bonds is not excludible from gross income under IRC §103.

PROPOSED GENERAL FINANCIAL TERMS FOR REFUNDED GLADES COUNTY
DETENTION CENTER BONDS

1. The taxable new issue will consist of two series of Bonds with an aggregate balance of \$35,352,000 with a maturity date of 2030. This amount is derived by adding the following amounts:
 - A) The current balance of the Bonds of \$28,800,000
 - B) The 5% premium of \$1,440,000 required to be paid due to the Bonds being deemed taxable
 - C) The past due interest of \$5,112,000

The new issue will be split into a Series A and Series B.

2. Series A will be approximately \$23,040,000 and carry a 7% coupon. Approximately \$1,500,000 of principal on the Series A Bonds will be stated to mature annually.
3. Series B will be approximately \$12,312,000, will have no interest accruing and will be paid annually from 100% of the excess cash flow, generally being Net Operating Income after the payment of all expenses and debt service on the Series A. All such payments will reduce principal of the Series B.
4. The DSRF will be funded from Net Operating Income up to its requirement of \$3,000,000 on a schedule to be agreed upon. Currently, the DSR balance is approximately \$2,330,000.
5. The new Bonds will be secured by the same collateral as the existing Bonds. The Indenture will contain most of the same provisions, and have the same requirements and covenants as the existing Indenture, except for the terms outlined above.

The Proposed General Financial Terms are subject to further revision prior to closing.