

INDEPENDENT SCHOOL DISTRICT #877 POLICY

Buffalo-Hanover-Montrose

INDEX TITLE Administration SERIES NO. 700

POLICY TITLE Post-Issuance Debt Compliance CODE NO. 705.2

I. Purpose

The School Board (the “Board”) of the Buffalo-Hanover-Montrose School District, Buffalo, Minnesota (the “District”) has chosen, by policy, to take steps to help ensure that all obligations will be in compliance with all applicable federal regulations. This policy may be amended, as necessary, in the future.

II. Background

The Internal Revenue Service (IRS) is responsible for enforcing compliance with the Internal Revenue Code (the “Code”) and regulations promulgated thereunder (“Treasury Regulations”) governing certain obligations (for example: tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various “Tax Credit” Bonds). The IRS expects issuers and beneficiaries of these obligations to adopt and implement a post-issuance debt compliance policy and procedures to safeguard against post-issuance violations.

III. Post-Issuance Debt Compliance Objective

The District desires to monitor these obligations to ensure compliance with the Code and Treasury Regulations. To help ensure compliance, the District has developed the following policy (the “Post-Issuance Debt Compliance Policy”). The Post-Issuance Debt Compliance Policy shall apply to the obligations mentioned above, including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance.

IV. Post-Issuance Debt Compliance

The Director of Finance and Operations of the District is designated as the District’s agent who is responsible for post-issuance compliance of these obligations.

The Director of Finance and Operations shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in corresponding procedures (the “Post-Issuance Debt Compliance Procedures”). At a minimum, the Post-Issuance Debt Compliance Procedures for each qualifying obligation will address the following:

1. General post-issuance compliance;
2. Proper and timely use of obligation proceeds and obligation-financed property;
3. Arbitrage yield restriction and rebate;
4. Timely filings and other general requirements;
5. Additional undertakings or activities that support points 1 through 4 above;
6. Other requirements that become necessary in the future.

The Director of Finance and Operations shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Director of Finance

and Operations will ensure that the Post-Issuance Debt Compliance Policy and Procedures are updated on a regular and as needed basis.

The Director of Finance and Operations or any other individuals responsible for assisting the Director of Finance and Operations in maintaining records needed to ensure post-issuance debt compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

Most of the provisions of this Post-Issuance Debt Compliance Policy are not applicable to taxable governmental obligations unless there is a reasonable possibility that the District may refund their taxable governmental obligation, in whole or in part, with the proceeds of a tax-exempt governmental obligation. If this refunding possibility exists, then the Director of Finance and Operations shall treat the taxable governmental obligation as if such issue were an issue of tax-exempt governmental obligations and comply with the requirements of this Post-Issuance Debt Compliance Policy.

The District may issue tax-exempt obligations as “qualified 501(c)(3) bonds” that are not governmental obligations or conduit bonds where the proceeds are loaned to a qualifying party. Prior to the issuance of qualified 501(c)(3) bonds, the Director of Finance and Operations shall take steps necessary to ensure that such obligations will remain in compliance with the requirements of this Post-Issuance Debt Compliance Policy. In a case where compliance activities are reasonably within the control of a qualifying party, the Director of Finance and Operations may determine that all or some portion of compliance responsibilities described in this Post-Issuance Debt Compliance Policy shall be assigned to the relevant qualifying party. In a case where the Director of Finance and Operations is concerned about the compliance ability of a qualifying party, the Director of Finance and Operations may require that a Trustee be retained for the obligation and that the Trustee be responsible for all or some portion of the compliance responsibilities.

The Director of Finance and Operations is additionally authorized to seek the advice, as necessary, of bond counsel and/or its financial advisor to ensure the District is in compliance with this Post-Issuance Debt Compliance Policy.

Administrative Offices
Buffalo, Minnesota 55313

DATE OF ADOPTION _____

DATE OF REVIEW February 27, 2012

DATE OF APPROVAL _____