

SOUTHERN LEHIGH  
SCHOOL DISTRICT

SECTION: Finances

TITLE: Post-Issuance Compliance for Tax-Exempt  
and Tax-Advantaged Obligations and  
Continuing Disclosure Requirements

ADOPTED: September 14, 2015

REVISED:

	<p style="text-align: center;">624 POST-ISSUANCE COMPLIANCE FOR TAX-EXEMPT AND TAX-ADVANTAGED OBLIGATIONS AND CONTINUING DISCLOSURE REQUIREMENTS</p> <p><b><u>STATEMENT OF PURPOSE</u></b></p> <p>This Post-Issuance Compliance Policy (the "Policy") sets forth specific policies of the Southern Lehigh School District, Lehigh County, Pennsylvania (the "Issuer") designed to monitor post-issuance compliance with:</p> <ul style="list-style-type: none"> <li>(i) applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder ("Treasury Regulations") for obligations issued by the Issuer on tax-exempt or tax-advantaged basis ("Obligations"); and</li> <li>(ii) applicable requirements set forth in certificate and agreement(s) ("Continuing Disclosure Agreements") providing for ongoing disclosure in connection with the offering of obligations to investors ("Offerings"), for obligations (whether or not tax-exempt or tax-advantaged) subject to the continuing disclosure requirements of <b>Rule 15c2-12(b)(5)</b> (the "Rule") promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "1934 Act").</li> </ul> <p>This Policy documents practices and describes various procedures and systems designed to identify on a timely basis facts relevant to demonstrating compliance with the requirements that must be satisfied subsequent to the issuance of Obligations in order for the interest on such Obligations to continue to be eligible to be excluded from gross income for federal income tax purposes or that the Obligations continue to receive advantaged treatment for federal income tax purposes. The federal tax law requirements applicable to each particular issue of Obligations will be detailed in the arbitrage or tax certificate, which is prepared by bond counsel and signed by officials of the Issuer. This Policy establishes a permanent, ongoing structure of practices and procedures that will facilitate compliance with the requirements for individual borrowings.</p> <p style="text-align: center;">Page 1 of 9</p>
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<p>3. Authority</p> <p>4. Guidelines</p>	<p>This Policy similarly documents practices and describes various procedures and systems designed to ensure compliance with Continuing Disclosure Agreements by preparing and disseminated related reports and information and reporting "Material Events" for the benefit of the holders of the Issuer's obligations and to assist the Participating Underwriters (as defined in the Rule) in complying with the Rule.</p> <p>The Issuer recognizes that compliance with pertinent law is an on-going process, necessary during the entire term of the Obligations, and is an integral component of the Issuer's debt management. Accordingly, the analysis of those facts and implementation of the Policy will require on-going monitoring and regular consultation with bond counsel and the Issuer's accountants and advisors.</p> <p><b><u>I.</u> GENERAL POLICIES AND PROCEDURES</b></p> <p>The following policies relate to for the monitoring of post-issuance compliance generally.</p> <ul style="list-style-type: none"><li>A. The Director of Business Affairs for the Issuer (the "Compliance Officer") shall be responsible for monitoring post-issuance compliance issues.</li><li>B. The Compliance Officer shall coordinate procedures for record retention and review of such records.</li><li>C. All documents and other records relating to Obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer. In maintaining such documents and records, the Compliance Officer will comply with applicable Internal Revenue Service ("IRS") requirements, such as those contained in <b>Revenue Procedure 97-22</b>.</li><li>D. The Compliance Officer shall be aware of options for voluntary corrections for failure to comply with post-issuance compliance requirements, including but not limited remedial actions under <b>Section 1.141-12</b> of the Regulations and the Treasury's Tax-Exempt Bonds Voluntary Closing Agreement Program ("VCAP") described in Internal Revenue Manual ("IRM") 7.2.3. (or any successor publication), and take such corrective action when necessary and appropriate.</li><li>E. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less frequently than annually.</li></ul>
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**II. ISSUANCE OF OBLIGATIONS - DOCUMENTS AND RECORDS**

With respect to each issue of Obligations, the Compliance Officer will:

- A. Obtain and store both a closing binder and an electronic copy of the relevant and customary transaction documents (the "Transcript").
- B. Confirm that bond counsel has filed the applicable information report (e.g., Form 8038, Form 8038-G, Form 8038-CP) for such issue with the IRS on a timely basis. The Compliance Officer shall obtain and store certified copies of all such information reports in the possession of the Issuer.
- C. Coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Obligations with other applicable staff members of the Issuer.

**III. ARBITRAGE**

The following policies relate to the monitoring and calculating of arbitrage and compliance with specific arbitrage rules and regulations.

The Compliance Officer will:

- A. Ensure that the appropriate officer of the Issuer responsible for issuing Obligations provides a certification, in good faith, of the issuer's reasonable expectations as of the issue date in accordance with **Treasury Regulation 1.148-2(b)**. The Compliance Officer shall additionally confirm that a certification of the initial offering prices of the Obligations, with such supporting data, if any, required by bond counsel, is included in the Transcript.
- B. Confirm that a computation of the yield on each issue from the Issuer's financial advisor, bond counsel, an outside arbitrage rebate specialist or other appropriate advisors, in accordance with the rules set forth in **Treasury Regulation 1.148-4** is contained in the Transcript.
- C. Maintain a system for tracking investment earnings on all proceeds of Obligations. Pursuant to consultation with bond counsel and any other appropriate advisors, the Compliance Officer shall choose and maintain compliance with an accounting methodology with respect to such investment earnings that constitutes a "reasonable, consistently applied accounting method" under **Treasury Regulation 1.148-6**.

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	<p>D. Coordinate the tracking of expenditures of the proceeds of the Obligations, including the expenditure of any investment earnings. If the project(s) to be financed with the proceeds of the Obligations will be funded with multiple sources of funds, confirm that the Issuer has adopted an accounting methodology that maintains each source of financing separately and monitors the actual expenditure of proceeds of the Obligations.</p> <p>E. Monitor the allocation of proceeds and investment earnings of each issue to specific expenditures, including the reimbursement of pre-issuance expenditures, on a periodic basis, but not less frequently than quarterly. This procedure shall include a full, thorough examination of the expenditures made with proceeds of the Obligations within eighteen (18) months after each project financed by the Obligations is placed in service and, if necessary, a reallocation of expenditures in accordance with <b>Section 1.148-6(d)</b> of the Treasury Regulations.</p> <p>F. Monitor compliance with the applicable "temporary period" (as defined in <b>Treasury Regulation 1.148-2(e)</b>) exceptions for the expenditure of proceeds of the issue, and provide for either yield restriction on the investment of such proceeds in accordance with <b>Treasury Regulation 1.148-2</b> or "yield reduction payments" (as defined in <b>Treasury Regulation 1.148-5(c)</b>) if such exceptions are not satisfied.</p> <p>G. Ensure that investments acquired with proceeds of such issue are purchased at fair market value as defined in <b>Treasury Regulation 1.148-5(d)(6)</b>. In determining whether an investment is purchased at fair market value, any applicable safe harbor contained in the Treasury Regulations may be used, including but not limited to the bidding procedures set forth in <b>Treasury Regulation 1.148-5(d)</b>.</p> <p>H. Avoid the formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.</p> <p>I. Consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions or investments in guaranteed investment contracts.</p> <p>J. Identify situations in which compliance with applicable yield restrictions depends upon later investments, such as the purchase of 0% SLGS from the U.S. Treasury, and monitor and review implementation of any such restrictions on a periodic basis, but not less frequently than quarterly.</p>
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- K. Monitor and review compliance with six (6) month, eighteen (18) month, or two (2) year spending exceptions to the rebate requirement (as set forth in **Treasury Regulation 1.148-7**), as applicable, on a periodic basis, but not less frequently than quarterly.
- L. Procure a timely computation of any rebate liability, and if rebate is due, timely file a Form 8038-T and arrange for payment of such rebate liability. The Compliance Officer shall obtain and store a certified copy of such Form 8038-T in the possession of the Issuer.

**IV. PRIVATE ACTIVITY CONCERNS**

The following polices relate to the monitoring and tracking of private uses and private payments with respect to facilities financed with the Obligations.

The Compliance Officer will:

- A. Maintain current records determining and tracking facilities financed with specific Obligations and the amount of proceeds spent on each facility. The Compliance Officer shall ensure that such records are reviewed and updated on a periodic basis, but not less frequently than monthly.
- B. Maintain records and procedures for the allocation of proceeds and investment earnings of each issue to specific expenditures, including the reimbursement of pre-issuance expenditures. These records and procedures must be consistent with those used for arbitrage purposes in III.E. above.
- C. Maintain records allocating to a project financed with Obligations any funds from other sources that will be used for otherwise non-qualifying costs.
- D. Identify all qualifying costs of each issue and monitor the expenditure of proceeds and investment earnings of each issue for such qualifying costs.
- E. Monitor the existence of any “private use” of financed facilities, as defined in **Section 141** of the Code and **Treasury Regulation 1.141-3**, to ensure compliance with applicable limitations on such use. Examples of potential private use are set forth in **Treasury Regulation 1.141-3(b)** and include but are not limited to:
  - 1. Sale of the facilities, including sale of capacity rights;
  - 2. Lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four

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	<p>walls of the facility) or leasehold improvement contracts;</p> <ol style="list-style-type: none"><li>3. Management contracts (in which the Issuer authorizes a third party to operate a facility);</li><li>4. Research contracts and agreements;</li><li>5. Preference arrangements (in which the Issuer permits a third party preference, such as parking in a public parking lot);</li><li>6. Joint-ventures, limited liability companies, partnerships or similar arrangements;</li><li>7. Output contracts or other contracts for use of utility facilities (including contracts with large utility users);</li><li>8. Development agreements which provide for guaranteed payments or property values from a developer;</li><li>9. Grants or loans made to private entities, including special assessment agreements; and</li><li>10. Naming rights arrangements.</li></ol> <p>F. Identify in advance any new sale, lease or license, management contract, sponsored research arrangement, output or utility contract, development agreement, or other arrangement that may involve private use of facilities financed with proceeds of Obligations and obtain certified copies of any such agreement or arrangement for review by bond counsel.</p> <p>G. Meet at least annually with the appropriate representatives of the Issuer to evaluate use of facilities financed with proceeds of Obligations.</p> <p>H. If the Compliance Officer identifies any private use of facilities financed with proceeds of Obligations, the Compliance Officer will promptly consult with the Issuer's bond counsel to determine whether such private use will adversely affect the tax status of the issue and if so, what remedial action is appropriate. The Compliance Officer should retain all documents related to any of the above potential private uses. The Compliance Officer shall monitor and review any existing private use of facilities financed with proceeds of Obligations on a periodic basis, but not less frequently than monthly.</p> <p><b><u>V.</u> QUALIFIED TAX-EXEMPT OBLIGATIONS</b></p> <p>If the Issuer issues "qualified tax-exempt obligations" under <b>Section</b></p>
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**265(b)(3)(B)** of the Code in any year, the Compliance Officer shall regularly monitor all tax-exempt financings (including lease purchase arrangements and other similar financing arrangements and conduit financings on behalf of 501(c)(3) organizations) to assure that the \$10,000,000 "small issuer" limit set forth in **Section 265(b)(3)(C)** (or any other applicable limit set forth in a successor statute) is not exceeded.

**VI. FEDERAL SUBSIDY PAYMENTS**

The Compliance Officer shall be responsible for monitoring the calculation of the amount of any federal subsidy payments and the timely preparation and submission of the applicable tax form and application for federal subsidy payments for tax-advantaged obligations such as Build America Bonds, New Clean Renewable Energy Bonds and Qualified School Construction Bonds.

**VII. REISSUANCE**

With respect to compliance with rules regarding the "reissuance" of Obligations set forth in **Treasury Regulation 1.1001-3**, the Compliance Officer will identify and consult with bond counsel regarding any post-issuance change to any terms of an issue of Obligations which could potentially be treated as a reissuance for federal tax purposes. In addition, before the Issuer undertakes any "remedial action" (as defined in **Treasury Regulation 1.141-12**) in connection with a change of use of any proceeds of Obligations, the Compliance Officer shall consult with bond counsel to determine whether such remedial action will constitute a reissuance.

**VIII. RECORD RETENTION**

The following polices relate to retention of records relating to the Obligations issued.

The Compliance Officer will:

- A. Act as the custodian of the records described in this Section VIII.
- B. Coordinate with staff regarding the records to be maintained by the Issuer to establish and ensure that an issue remains in compliance with applicable federal tax requirements set forth in the Code and Treasury Regulations for the life of such issue.
- C. Coordinate with staff to comply with provisions imposing specific recordkeeping requirements, and cause compliance with such provisions when applicable.
- D. Coordinate with staff to generally maintain the following:
  - 1. The Transcript relating to the transaction (including but not limited to any arbitrage or other tax certificate and the

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bond counsel opinion);

2. Documentation evidencing expenditure of proceeds of Obligations;
  3. Documentation regarding the types of facilities financed with the proceeds of Obligations, including but not limited to whether such facilities are land, buildings or equipment, economic life calculations, and information regarding depreciation.
  4. Documentation evidencing use of financed property by public and private entities (including but not limited to copies of leases, management contracts, utility user agreements, developer agreements and research agreements);
  5. Documentation evidencing all sources of payment or security for Obligations; and
  6. Documentation pertaining to any investment of proceeds of Obligations (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received by the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- E. Coordinate the retention of all records in a manner that ensures their complete access to the IRS in accordance with, among other rules and regulations, **Notice 97-22**.
- F. Keep all material records pertaining to each issue for so long as the issue is outstanding (including any refunding), plus seven (7) years. Such records may be kept either in hard copy or electronic form.

**IX. CONTINUING DISCLOSURE**

Under the provisions of the Rule, Participating Underwriters are required to determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Agreements to make ongoing disclosure in connection with Offerings subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, the Transcript for each issue of related obligations will include a Continuing Disclosure Agreement executed by the Issuer.

In order to monitor compliance by the Issuer with its Continuing Disclosure Agreements, the Compliance Officer will, if and as required by such Continuing Disclosure Agreements:



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	<ul style="list-style-type: none"><li>A. Assist in the preparation or review of annual reports ("Annual Reports") in the form required by the related Continuing Disclosure Agreements.</li><li>B. Maintain a calendar, with appropriate reminder notifications, listing the filing due dates relating to dissemination of Annual Reports—which annual due date is generally expressed as a date within a certain number of days (e.g., 180 days) following the end of the Issuer's fiscal year (the "Annual Report Due Date")—as provided in the related Continuing Disclosure Agreements.</li><li>C. Ensure timely dissemination of the Annual Report by the Annual Report Due Date in the format and manner provided in the related Continuing Disclosure Agreements, which may include transmitting such filing to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") System at <a href="http://www.emma.msrb.org">www.emma.msrb.org</a> in the format prescribed by the MSRB.</li><li>D. Monitor the occurrence of any "Material Event", as defined in either the Continuing Disclosure Agreements or the Rule, and timely file notice of the occurrence of any such Material Event in the manner provided under the Continuing Disclosure Agreements and/or the Rule. To be timely filed, such notice must be transmitted within 10 days (or such other time period as set forth in the Continuing Disclosure Agreements) of the occurrence of such Material Event.</li><li>E. Ensure timely dissemination of notice of any failure to perform under a Continuing Disclosure Agreement, if and as required by the Continuing Disclosure Agreement.</li><li>F. Respond to requests, or ensure that the Issuer Contact (as defined in the Continuing Disclosure Agreement) responds to requests, for information under the Rule, as provided in the Continuing Disclosure Agreements.</li><li>G. Monitor the performance of any dissemination agent(s) engaged by the Issuer to assist in the performance of any obligation under the Continuing Disclosure Agreements.</li></ul>
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