

Adopted: 1/29/2013

705.1

**INDEPENDENT SCHOOL DISTRICT. NO. 99 (ESKO)
PRE- AND POST-ISSUANCE COMPLIANCE POLICY AND PROCEDURES**

I. STATEMENT OF PURPOSE

This document sets forth specific policies of Independent School District No. 99 (Esko), Minnesota (the "Issuer") designated to monitor pre- and post-issuance compliance by the Issuer with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations thereunder (the "Treasury Regulations") applicable to the Issuer's proposed and future tax-exempt obligations on which it is directly obligated (the "Obligations").

This policy and procedure documents various procedures and systems implemented or to be implemented by the Issuer and in order to identify on a timely basis facts relevant to compliance with the requirements that must be satisfied prior and subsequent to the issuance of Obligations in order that the interest on such Obligations be, or continue to be, or would be but for certain provisions of the Code, excludable from gross income for federal income tax purposes. The Issuer recognizes that compliance with applicable provisions of the Code and Treasury Regulations is an on-going process, necessary during the entire term of the Obligations, and an integral component of the Issuer's debt management. Accordingly, the analysis of those facts and implementation of this policy and procedure will require on-going monitoring and, likely, consultation with bond counsel beyond the scope of its initial engagement with respect to the issuance of particular Obligations.

II. PROCEDURES APPLICABLE TO DIRECT OBLIGATIONS OF THE ISSUER

A. Monitoring of Post-Issuance Compliance

Monitoring of post-issuance compliance for tax-exempt Obligations will be the responsibility of the Business Manager of the Issuer (the "Compliance Officer"). The Compliance Officer may designate one or more employees or consultants under his or her supervision (the "Designees") to carry out certain duties under this policy and procedure on his or her behalf in the same manner and with the same effect as any similar designation for any other purpose permitted by law.

B. Compliance with Covenants in Bond Documents

The Compliance Officer shall monitor compliance with all financial and operational covenants made by the Issuer in the documents relating to the issuance of the Obligations, including but not limited to financial reporting and restrictions on incurring additional indebtedness.

C. Federal Tax Law Compliance

1. Issue Price. In conjunction with the negotiated sale of any direct obligations of the Issuer, the Compliance Officer shall, or shall request the Issuer's independent financial advisor to, monitor the issue price of any direct obligations of the Issuer in accordance with the Government Finance Officers Association's Best Practice relating to Pricing Bonds in a Negotiated Sale.

2. Proper Use of Proceeds. The Compliance Officer shall monitor the use of proceeds of the Obligations so that such proceeds are allocated to expenditures in a manner that is consistent with the purpose for which each issue of Obligations is undertaken, as set forth in any tax compliance certificate or agreement related to each issue of Obligations.
3. Investment of Bond Proceeds. The Compliance Officer shall monitor the investment of proceeds of the Obligations to ensure that such proceeds are invested in investments that are permissible under Minnesota Statutes, Chapter 118A, the documents relating to the issuance of the Obligations and any applicable federal tax laws.
4. Arbitrage Rebate. The Compliance Officer shall monitor the expenditures of proceeds of the Obligations to verify compliance with available exceptions to the arbitrage rebate requirements of the Code and Treasury Regulations. If the Obligations do not qualify for an exception, the Compliance Officer shall see to the timely completion of arbitrage rebate calculations, filings and payment to the United States Department of the Treasury of any required arbitrage rebate payments.
5. Yield Reduction Payments and Calculations. The Compliance Officer shall consult with bond counsel prior to the calculation of yield reduction payments, filings and payment to the United States Department of the Treasury of any required yield reduction payments.
6. Post-Issuance Transactions. The Compliance Officer shall consult with bond counsel as follows:
 - a. before making any modifications or amendments to the documents for an issue of Obligations, including, but not limited to, entering or modifying investment agreements; making any change in security for the Obligations; engaging in post-issuance credit enhancement transactions (e.g., bond insurance, letters of credit) or hedging transactions (e.g., interest rate swaps, caps); terminating or appointing successor trustees; releasing any liens; or reissuing the Obligations; and
 - b. in the event the Issuer determines to change the use of any facilities financed with an issue of Obligations. For purposes of the foregoing, "change of use" includes the lease, management or use of any portion of the financed facilities by a person or entity other than the Issuer.
7. Remedial Action. In the event that it is determined that any use of proceeds of or facilities financed by the Obligations is inconsistent with the character of the status for federal income tax purposes of the Obligations, the Compliance Officer shall consult with bond counsel for the purpose of determining the nature and extent of any remedial action necessary or proper for the Issuer to take with

respect to such Obligations, including participation in the voluntary closing agreement program of the Internal Revenue Service ("IRS").

8. Tax Credit Bonds. The Compliance Officer will consult with bond counsel regarding federal income tax requirements unique to any tax credit bonds issued by the Issuer and any monitoring procedures that need to be put into place by the Issuer in order to achieve tax compliance.

D. Federal Securities Law Compliance

1. The Compliance Officer shall monitor compliance with all applicable federal securities laws and regulations, including the continuing disclosure requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.
2. To the extent required by any continuing disclosure undertaking in which the Issuer is the obligated person, the Compliance Officer shall:
 - a. on an annual basis, submit the Issuer's audited financial statements to the entities required by the applicable continuing disclosure agreement and documents relating to the Obligations;
 - b. at such times required by any continuing disclosure agreement, submit an annual financial report including any operational information required by a continuing disclosure agreement, to the entities required by the applicable continuing disclosure agreement and documents relating to the Obligations; and
 - c. make a timely report of any significant material events (as defined by the applicable disclosure agreement) related to the Issuer's outstanding Obligations to the entities required by the documents relating to the Obligations.

E. Recordkeeping

1. Responsibility for Records Maintenance
 - a. The Compliance Officer is responsible for maintaining records related to Obligations of the Issuer.
 - b. The Compliance Officer shall maintain a central list of the records related to each issue of tax-exempt Obligations. The list shall identify all physical or electronic locations for any records relating to an issue of Obligations and the person or persons responsible for maintaining such records.
2. Bond Records to be Maintained
 - a. The following records shall be maintained for each outstanding issue of Obligations for the term of the issue plus three years:

- i. basic records relating to the transaction, including the trust indenture, loan, lease or other financing agreement, the relevant IRS Form 8038-G with proof of filing, and bond counsel opinion (such documents may be held in the form of a bond transcript); and
 - ii. documentation pertaining to investment of the proceeds of the Obligations, including the yield calculations for each class of investments, yield calculations for the financed student loans, actual investment income received from the investment of proceeds and rebate calculations shall be held in and maintained by the Compliance Officer's office.
- b. The Compliance Officer shall maintain the Issuer's audited financial statements for not less than seven years.

F. Bond Counsel Review.

The Compliance Officer may engage bond counsel or the Issuer's independent financial advisor to assist in implementing this policy and procedure, including, but not limited to, assistance in the following areas:

1. rebate calculations and compliance;
2. records retention;
3. periodic review of the central list of records related to any Obligations for compliance with federal tax laws regarding private business use;
4. other federal tax law compliance, including any annual reporting requirements that may be imposed by the IRS;
5. federal securities law compliance; and
6. due diligence on conduit bonds.

G. Training Requirements

If recommended by bond counsel or at the discretion of the Compliance Officer, the Compliance Officer and his or her Designees shall undergo training regarding basic federal tax concepts relating to tax-exempt Obligations and records required to be maintained under this policy and procedure. Bond counsel may be engaged to provide such training.

H. Annual Review

On an annual basis, or sooner if deemed necessary by the Compliance Officer, the Compliance Officer shall review this policy and procedure and assess the Issuer's compliance with this policy and procedure. The Compliance Officer shall make changes

EXHIBIT A

DECLARATION OF OFFICIAL INTENT

The undersigned, being the duly appointed and acting _____ of Independent School District No. _____ (_____), Minnesota (the "Issuer"), pursuant to and for purposes of compliance with Treasury Regulations, Section 1.150-2 (the "Regulations"), under the Internal Revenue Code of 1986, as amended, hereby states and certifies on behalf of the Issuer as follows:

1. The undersigned has been and is on the date hereof duly authorized by the Issuer to make and execute this Declaration of Official Intent (the "Declaration") for and on behalf of the Issuer.

2. This Declaration relates to the following project (the "Project") and the costs thereof to be financed:

<INSERT PROJECT DESCRIPTION>

3. The Issuer reasonably expects to reimburse itself for the payment of certain costs of the Program out of the proceeds of a bond issue or similar borrowing (the "Obligations") to be issued after the date of payment of such costs. As of the date hereof, the Issuer reasonably expects that \$_____ is the maximum principal amount of the Obligations which will be issued to finance the Project.

4. Each expenditure to be reimbursed from the Obligations is or will be a capital expenditure or cost of issuance of the proposed bonds.

5. As of the date hereof, the statements and expectations contained in this Declaration are believed to be reasonable and accurate.

Date: _____

INDEPENDENT SCHOOL DISTRICT NO. _____
(_____), MINNESOTA

By _____
Its _____