



Peninsula Health Care District

Post-Issuance Compliance Procedures for Outstanding Tax-Exempt Obligations

The purpose of these Post-Issuance Compliance Procedures, established by Peninsula Health Care District (the “District”), is to maximize the likelihood that post-issuance requirements of federal income tax law and continuing disclosure regulations applicable to the various issues of bonds, certificates of participation, municipal leases, etc. (the “Obligations”) are met. The District reserves the right to change these policies and procedures from time to time.

Post-Issuance Compliance Requirements

External Advisors / Documentation

The District shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the debt issuance process to identify requirements and to establish procedures necessary or appropriate so that the Obligations will continue to qualify for tax-exempt status. The District also shall consult with bond counsel and/or other legal counsel and advisors, as needed, following issuance of the Obligations to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in the use of debt-financed or refinanced assets.

The District shall determine (or obtain expert advice to determine) whether arbitrage rebate calculations need to be made for the debt issue. If it is determined that such calculations are, or are likely to be required, the District shall engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of debt proceeds. The District shall make any rebate payments required on a timely basis including the signing and filing of appropriate IRS forms (e.g., Form 8038-T). Unless otherwise provided by the indenture (or similar document) relating to the Obligations, unexpended debt proceeds shall be held by a trustee or other financial institution, and the investment of proceeds shall be managed by the District. The District shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving debt proceeds. The statements shall include a certification of compliance and a summary of information collected by the District.

Arbitrage Rebate and Yield

The Chief Executive Officer shall be responsible for overseeing compliance with arbitrage rebate requirements under federal tax law:

(1) If, at the time of debt issuance, based on the District’s reasonable expectations, it appears likely that the issue will qualify for an exemption from the rebate requirement, the District may defer taking any of the actions set forth in subsection (2) below. Not later than the time of completion of construction or acquisition of the capital projects financed with proceeds of the Obligations, and depletion of all funds from the project fund, the District shall determine, or cause its Rebate Service Provider to determine, whether any of the debt proceeds qualified for a spending exception or other exception from the rebate requirements. If a rebate exception is determined to be applicable for all of the proceeds of the Obligations, the District shall prepare and keep in the permanent records of the issue a memorandum evidencing this conclusion together with records of expenditure to support such conclusion. If the transaction does not qualify for an exception to the rebate requirement, for all of the proceeds of the Obligations, the District shall initiate the steps set forth in subsection (2) below.

(2) If, at the time of Bond issuance it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to subsection (1) above, the District shall:

- engage the services of a Rebate Service Provider and, prior to each rebate calculation date, cause the trustee or other financial institution investing proceeds of the Obligations to deliver periodic statements concerning the investment of proceeds to the Rebate Service Provider;
- provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitor the efforts of the Rebate Service Provider;
- assure the payment of required rebate amounts no later than 60 days after each 5-year anniversary of the issue date of the Obligations, and no later than 60 days after the last maturity of each issue is redeemed;
- during the construction period of each capital project financed in whole or in part by Obligations, monitor the investment and expenditure of debt proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including during each 6-month spending period up to 6 months, 18 months or 24 months, as and if applicable, following the issue date of the Obligations;
- retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements” and, upon request, provide such copies to the trustee; and
- establish procedures to ensure that investments that are acquired with proceeds are so acquired at their fair market value.

Use of Proceeds and Financed or Refinanced Assets.

The Chief Executive Officer is responsible for monitoring the use of proceeds and debt financed assets:

- monitoring the use of proceeds (including investment earnings and including reimbursement of expenditures made before the issuance of Obligations) and the use of financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Obligations to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Obligations;
- maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Obligations (including investment earnings and including reimbursement of expenditures made before the issuance of Obligations), including a final allocation of proceeds as described below under “Record Keeping Requirements”;
- consulting with bond counsel and other legal counsel and advisers in the review of any change in use, or potential change in use, of debt-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Obligations;
- maintaining records for any contracts or arrangements involving the use of debt-financed or refinanced assets as described below under “Record Keeping Requirements”; and conferring at least annually with personnel responsible for debt-financed or refinanced assets to identify and discuss any existing or planned use of debt-financed or refinanced assets and to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Obligations; and to the extent that the District discovers that any applicable tax restrictions regarding use of proceeds and debt-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Obligations or take other remedial action, if such counsel advises that a remedial action is necessary. All relevant records and contracts shall be maintained as described below.

Record Keeping Requirement

The Chief Executive Officer shall be responsible for maintaining the following documents for the term of each issue of Obligations (including refunding Obligations, if any) plus at least three years:

- a copy of the closing transcript(s) and other relevant documentation delivered to the District at or in connection with closing of the issue of Obligations;

- a copy of all material documents relating to capital expenditures financed or refinanced by debt proceeds, including construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with debt proceeds and records identifying the assets or portion of assets that are financed or refinanced with proceeds of Obligations, including a final allocation of proceeds;
- a copy of all contracts and arrangements involving the use of debt-financed or refinanced assets; and
- a copy of all records of investments, investment agreements, credit enhancement, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

Continuing Disclosure Compliance Requirement

The Chief Executive Officer shall be responsible for maintaining Continuing Disclosure items for each issue of Obligations, to the extent set forth in the Continuing Disclosure Certificate executed by the District for such Obligations.

- Maintain the following “best practices” for upholding the continuing disclosure responsibilities, including, in particular (if required):
 - Establish written policies and procedures to ensure that the District submits all documents, reports and notices required to be submitted to EMMA/MSRB in a timely manner.
 - Review offering documents, including the Continuing Disclosure Certificate, confirm compliance with existing continuing disclosure obligations at the time of each new issue and promptly rectify any continuing disclosure lapses.
 - Disclose in each official statement any instances during the prior five years of any failure to comply in all material respects with applicable continuing disclosure obligations.
 - Implement annual training for personnel involved in the bond offering and disclosure process, including familiarity with the significant events described in the Continuing Disclosure Certificate and an understanding of the District’s written policies and procedures governing disclosure practices, including continuing disclosure.
 - Identify an individual or individuals who will be responsible for reviewing and complying with the District’s continuing disclosure obligations on a regular basis.
 - Maintain a complete and accurate record of the District’s continuing disclosure undertakings and filings, including electronic confirmation of continuing disclosure submissions.
 - Develop a calendar reminder system to track annual filing deadlines and requirements.
 - Consult with counsel as needed to resolve potential issues and address any questions.

Education and Training

The District shall provide responsible staff with education and training on federal tax requirements for post-issuance compliance applicable to the Obligations. The District will enable and encourage responsible staff to attend and participate in educational and training programs offered by professional organizations and other entities with regard to monitoring compliance with federal tax requirements for the Obligations.

Approved by Board: July 27, 2017