PROCEDURES REGARDING COMPLIANCE WITH FEDERAL SECURITIES LAW AND BOND COVENANTS

These procedures are intended to assist the District in complying with federal securities law and related District agreements after the District has issued debt, including bonds and maintenance tax notes (each an "obligation," and collectively, "obligations"). Failure to comply with federal securities law could have serious consequences for investors, the District, its officials, and its employees.

CONTINUING DISCLOSURE OBLIGATIONS

After issuing obligations (including taxable bonds), the District may be required to prepare and file "continuing disclosures" of financial information and operating data pursuant to an agreement entered into pursuant to Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission ("SEC"). The Rule indirectly applies to the District by requiring the underwriters of the District's obligations to ensure that the District has agreed to make such continuing disclosures before the underwriters may purchase or sell the District's obligations.

[See CCA(LEGAL) at FEDERAL SECURITIES LAW for federal laws the District must generally follow before issuing obligations.]

Obligations, whether taxable or tax-exempt, sold in a public offering in an amount of $1 million or more are subject to the Rule. If the District has less than $10 million in obligations outstanding, it may qualify for the "small issuer exemption" to the Rule. The District may consult with qualified counsel to determine if this exemption applies. Pursuant to the Rule, the District is required to make annual filings of certain information, as well as make filings upon the occurrence of certain specified events. All filings must be made with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA) at http://emma.msrb.org/.

To identify exactly what continuing disclosures are required in connection with a particular issuance of obligations and when such disclosures must be made, the District must refer to the continuing disclosure agreement (CDA) it entered into when the obligations were issued. [See CCA(LEGAL) at FEDERAL SECURITIES LAW, CONTINUING DISCLOSURE AFTER ISSUING BONDS.]

The District's existing CDAs should generally track the Rule's requirement for making certain annual filings and event filings.

CDAs executed by the District for obligations to be issued now or in the future will most likely require the District to file at least the information described below under ANNUAL FILINGS and NOTICE OF SPECIFIED EVENTS. The CDA may also require certain other parties ("obligated persons" as defined by the Rule) to make continuing disclosures if such obligated person(s) is committed to

support repayment of all or part of a particular issuance of District obligations.

As a best practice, the District may identify an official or officials of the District (the "primary disclosure official[s]") who will be responsible for making continuing disclosure filings and otherwise complying with the District's CDAs. [See COMPLYING WITH FEDERAL SECURITIES LAW below.]

ANNUAL FILINGS

The CDA will require the District to file the information listed below with EMMA within the time frame set forth in the CDA for so long as the respective series of obligations remains outstanding. [See CE(LOCAL)] The CDA will require the District to file each of the following items with EMMA:

1. An update of all financial information and operating data of the type included in the official statement prepared in connection with the issuance of the obligations; and

2. If not included as part of the financial information and operating data, the District's audited financial statements.

The District's primary disclosure official(s) must compile, prepare, and make such filings within the required time, or, alternatively, contract with a third-party, such as the District's financial adviser, to make such filings on the District's behalf.

NOTICES OF SPECIFIED EVENTS

The CDA will require the District to provide notice of any of the following events with respect to the obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event):

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material. "Material" under federal securities law generally means information a reasonable investor in the District's obligations would want to know. The District may consult with qualified counsel if it is unsure whether notice of a particular event should be filed;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the obligations, or other material events affecting the tax status of the obligations;

7. Modifications to rights of obligation holders, if material;
8. Obligations calls, including redemptions and other early payments, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the obligations, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the District or another obligated person;
13. The consummation of a merger, consolidation, or acquisition involving the District or another obligated person; or the sale of all or substantially all of the assets of the District or another obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. In a timely manner, notice of a failure of the District to make the required annual filings listed at ANNUAL FILINGS, above.

The District's primary disclosure official(s) should review this list at regular intervals to determine whether any event has occurred that may require a filing with EMMA.

LIABILITY UNDER FEDERAL SECURITIES LAW

The District and its Board members, appointed officials, and employees are subject to liability under the "antifraud provisions" of the federal securities laws contained in Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 of the SEC. The antifraud provisions generally prohibit false or misleading statements made in connection with the offer or sale of a district's obligations (or the omission of material facts from such statements), including all continuing disclosure filings made after the obligations are issued and any other statement reasonably expected to reach investors in the obligations.

[See SEC Report on the Municipal Securities Market (July 31, 2012) at pg. 29 (the "SEC 2012 Report") and SEC Exchange Act Release No. 33741 (March 9, 1994).]

The antifraud provisions also apply to statements made before the District's obligations are issued, including the official statement for the obligations. [See CCA(LEGAL) at FEDERAL SECURITIES LAW.]

DISCLOSURE OF NON-COMPLIANCE IN OFFICIAL STATEMENTS

The Rule requires any material instances in which the District failed to comply with its CDAs during the previous five years to be disclosed in any official statement prepared in connection with the issuance of the District's obligations. A material misstatement regarding the District's past compliance may constitute a violation of the antifraud provisions.

COMPLYING WITH FEDERAL SECURITIES LAW

The SEC has recently expressed concern regarding the accuracy, completeness, and timeliness of continuing disclosures and has instituted enforcement actions against municipalities for failure to comply with their CDAs executed pursuant to federal securities laws. [See MSRB Notice 2013-18 (August 12, 2013) available at http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-18.aspx.]

The District will implement the following best practices to ensure that the District makes accurate, complete, and timely continuing disclosures and otherwise fully complies with its CDAs and federal securities law after obligations are issued:

1. Identify the primary disclosure official(s) who will be responsible for making continuing disclosure filings and otherwise complying with the District's CDAs and ensure the primary disclosure official(s) and their disclosure team receive proper training to understand the District's obligations under its CDAs.

2. Develop continuing disclosure procedures for the disclosure team to follow (which shall not be adopted by the Board).

3. Engage a third party, such as the District's financial adviser or another outside consultant, to assist the District in complying with its CDAs.

The District may also consult with qualified counsel for advice regarding compliance with its CDAs and related federal securities laws.

Note: See Governmental Finance Officers Association, GFOA Best Practice: *Understanding Your Continuing Disclosure Responsibilities* (2010), available at http://www.gfoa.org/understanding-your-continuing-disclosure-responsibilities and cited on page 57 of the 2012 SEC Report.