

September 1, 2015

Summary of Explanation and Background

Final Adoption – Proposed New Policy 3121, Disclosure Policies and Procedures

The objective of this policy is to ensure that primary and secondary market disclosure communications to the public and investors by or on behalf of the District are factual, accurate, timely, and comply with the Securities and Exchange Commission (SEC) Rules, specifically 10b-5, 17a and 15c5-12.

From the SEC standpoint, it is paramount that investors of public debt, as well as the general public, are provided with information and data which are accurate and timely when making a decision regarding purchasing or investing in District bonds. In most cases, the main vehicle utilized by potential investors to obtain information is the Offering Statement (OS), also known as the primary market disclosure, which contains a host of information and (operational) data about the District.

Another aspect of the SEC rules address continuing disclosure to the secondary market, which requires all debt issuers to update operational and financial information contained in the OS annually. This provides current holders of District bonds updated information to determine whether to hold or sell bonds.

In addition, the SEC requires the District to disclose any material events (i.e., principal and interest delinquencies, rating changes, bond calls, etc.) within 10 days, which also assists investors with making informed investment decisions.

This proposed policy provides the framework for the District to achieve these objectives.