

PINCKNEY COMMUNITY PUBLIC LIBRARY
CONTINUING DISCLOSURE COMPLIANCE PLAN

Background

This Continuing Disclosure Compliance Plan (the “Plan”) has been designed to assist the Pinckney Community Public Library (the “Issuer”) to manage and track its compliance with the continuing disclosure requirements applicable to its bonds (the “Bonds”) after the date of issuance and until the Bonds are fully retired.

The Issuer is encouraged to seek advice from counsel at any time they may have questions or concerns pertaining to the Plan.

For each item in the Plan, we include a *document reference* item. Such reference directs the Issuer to the location of the particular requirement in the financing documents. This will assist others on the finance team, present and future, to be able to locate the original notation.

The *responsibility item* must be completed by the Issuer and should be as specific as possible as to which person or office of the Issuer is responsible for on-going compliance with the requirement.

The Plan is intended to be used by you throughout the entire lifetime of the financing to identify matters that need to be analyzed by the Issuer and perhaps by counsel. This Plan, once completed, should be retained and copies distributed to all responsible parties and other Issuer personnel who may find it useful during the lifetime of a financing. Keeping the Plan updated as to changes in both law and fact throughout the lifetime of the financing, and transferring responsibility as your personnel change, is important and we encourage Issuers to retain the primary version of the Plan with the bond transcript (which is the collection of closing documents provided to you both in paper form and electronic format after closing).

The completion and distribution of this Plan does not presume a contractual obligation on parties to complete these tasks.

Overall Responsibility:

The overall responsibility for managing ongoing compliance with the provisions of the plan is hereby assigned by the Issuer to the Library Director, who shall periodically (no less frequently than annually) take such steps to ensure such compliance as necessary.

Continuing Disclosure:

Annual EMMA Audit Filings and Financial Updates

Document Reference: Continuing Disclosure Undertaking.

Responsibility: Issuer and specifically the Library Director.

Under the rules of the United States Securities and Exchange Commission (the “SEC”), the Issuer is required to annually file its annual financial statements, including the notes and the auditor’s letter through EMMA, at <http://www.emma.msrb.org>. The Issuer must also provide annual updates of the financial information and operating data in the sections and tables of the Official Statement relating to the bonds.

The Issuer, specifically the Library Director, will file the audit and updates of financial information and operating data through EMMA each year as soon as possible after the end of the fiscal year once the audit is complete, and will ensure in any event that the filings are *completed on or before the sixth month after the end of the fiscal year* of the Issuer.

The Continuing Disclosure Undertaking (the “Undertaking”) lists the financial information and operating data that must be updated each year. The current information for each year should be set forth in a form that makes it easy for the reader to correlate it with the similar information in the Official Statement. The Issuer, specifically the Library Director will also determine annually whether additional information (statistical or narrative) needs to be provided to explain the data or to discuss developments described by the data, all to assure that the information supplied does not contain a misstatement of a material fact or omit to state a material fact necessary to make the information supplied not misleading. *Examples where a narrative might be needed in a limited tax bond context include a substantial decline of taxable value because of a property tax appeal, a plant closing or knowledge that taxable values may be expected to decline in future years because of a recently announced closing of a large employer.*

The Issuer’s auditor shall also be informed of the Undertaking now and each year as part of the Issuer’s engagement of the auditor. If there is any change in auditing principles from year to year, the Issuer is obligated to disclose the change and its possible impact, qualitatively and, if possible, quantitatively, through EMMA. **All documents filed through EMMA must be PDF files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, PDF documents filed through EMMA must be word-searchable.** Generally, PDF documents that are word-searchable are generated through the PDF software and not through a scanner.

Prior to July 1, 2009, the Issuer was required to file information with all nationally recognized municipal securities information repositories (“NRMSIRs”) and the

appropriate state information repository, if any (“SID”), such as the Municipal Advisory Council of Michigan (the “Michigan MAC”). While filings must now be made through EMMA, filing through EMMA does not necessarily relieve the Issuer of the requirement for filing annual financial information with the Michigan MAC. The Issuer is still required to comply with its contractual obligations under all continuing disclosure undertakings entered into prior to July 1, 2009. Under these continuing disclosure undertakings, the Issuer is required to file information through EMMA (since the Municipal Securities Rulemaking Board, which operates EMMA, is the only NRMSIR currently recognized by the SEC). However, these prior undertakings may also require the Issuer to continue to file annual financial information with the Michigan MAC, as the former SID for the State of Michigan. You should consider having counsel review your existing continuing disclosure undertakings to determine what filings will be necessary to ensure future compliance.

In addition, if the annual filing of either the audit or the financial information update is delayed past the deadline, the Issuer is required to file a notice of noncompliance with the Undertaking. The Issuer, specifically the Library Director will file any notice of noncompliance through the online EMMA system immediately upon becoming aware of the failure to make an annual filing in a timely manner.

Notices of Material Events

Document Reference: Continuing Disclosure Undertaking.

Responsibility: Issuer and specifically the Library Director.

The Issuer is required to file notices of the occurrence of certain material events. The Undertaking lists some of these events. Beginning February 27, 2019 two new material events were added to the Continuing Disclosure Undertaking. The two new events can be found in the Continuing Disclosure Undertaking under section d(15) and d(16). A copy of the executed Continuing Disclosure Undertaking is located in the bond transcript.

Event (15) requires disclosure of “material” new financial obligations (or agreements concerning covenants, events of default, remedies, property rights or similar terms) incurred by the borrower for which there is **no** Continuing Disclosure Undertaking and which could materially affect bondholders’ interests. For this event, a financial obligation does **not** include any debt obligation for which the borrower posted an official statement and provided a Continuing Disclosure Undertaking, or ordinary operating liabilities.

A financial obligation **does** include:

- a debt obligation
- a derivative instrument, such as a swap, entered into in connection with a debt obligation
- a guarantee of either a debt obligation or a derivative.

Debt Obligations include:

- privately placed bank or state authority purchases of bonds or notes or lines of credit
- installment contracts or lease purchase agreements
- energy conservation improvement financing contracts
- emergency loans from the State
- any other obligation that is “debt-like.”

Through interpretive statements, the SEC has indicated that operating leases and judgments and arbitration awards are not debt obligations.

There are no set guidelines as to what information should be filed with the material event notice, however, examples of terms to be disclosed include: amount financed and term and interest rate; security and source of payment, including priority of payment; defaults and event of defaults; remedies, including acceleration, penalties and default rates; modifications of terms and triggers for modifications; key covenants, such as maintenance of ratings, most favored nations provisions, coverage and additional debt tests.

Event (16) is an event occurring in connection with a financial obligation which reflects financial difficulties for the borrower. In this circumstance, default (even if not yet an event of default triggering remedies), acceleration, termination events which obligate the borrower to pay a penalty, modifications of terms and the imposition of remedies may each trigger a disclosure obligation. In this case, the relevant financial obligation may be one the borrower incurred before or after it executed a Continuing Disclosure Undertaking which included new events (15) and (16), if the triggering event occurs after delivery of the new Continuing Disclosure Undertaking.

When reporting the occurrence of a material event, the Issuer should keep in mind that the information will be available to all bondholders and prospective purchasers and should be prepared with the federal securities laws in mind. The Issuer will also want to make sure that it provides to the full market any information material to pricing which it provides to any market participant.

The Issuer, specifically the Library Director, is responsible for ensuring that any notice of material event is filed as soon as possible after the occurrence of the event, but in any case *not more than 10 business days after the occurrence of the event*. The notice must be filed electronically through EMMA. The Issuer shall not wait for the annual filing, and shall not wait until a potential problem is resolved before filing the notice.

In addition, the Issuer will need to remember that whenever the Issuer discloses information that is reasonably expected to reach bondholders, the Issuer must make sure that the information is not only accurate, but also complete. This may mean, for example, that the Issuer will need to decide whether to include a narrative explanation of a significant change in a piece of financial information or operating data, or to furnish additional financial or other information in order to assure that the annual financial information report is not misleading.

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