

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: DIGITAL ASSURANCE CORPORATION (DAC) APPOINTMENT FOR DISCLOSURE SERVICES REQUIRED BY SEC RULE 15c2-12

COMMITTEE: FINANCIAL AFFAIRS

Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule") obligates municipal bond issuers such as the District to comply with financial disclosure requirements and material events notices. The Auditor General has advised that compliance with the Rule will be a part of the future audit procedures.

As an Ernst & Young LLP Company, DAC specializes exclusively in trusted third party services for municipal bond issues. DAC has developed an easy to use compliance reporting process, which assists issuers in preparing and filing the required annual disclosures in accordance with the Rule, as amended. **DAC is the only disclosure service holding a "no action" letter from the SEC stating that no enforcement action will be recommended against participants for violations related to the Rule.** A copy of the letter is attached as Exhibit I.

DAC's continuing disclosure programs are tailored to meet the diversity and complexity of each issuer's financing. All DAC reporting and compliance programs meet the SEC requirements for ongoing information disclosure.

DAC maintains a proprietary document management and archiving system dedicated exclusively to the municipal securities market. DAC's system is populated with the most currently available audited financial statements, operating data, management discussion, material event notices and other information pertinent to the municipal bond investor. DAC disseminates all compliance disclosure information to the required repositories, obtains an electronic receipt, and archives information over the life of the bonds. Issuers can update information on line to ensure timely filing of information to the investing public.

The DAC database may be used as a research tool by underwriters and their counsel to ascertain compliance with the Rule's secondary market disclosure requirements. Where and if deficiencies are found, DAC will assist the District in taking the necessary steps to correct the situation and prevent it from happening in the future.

DAC is a third party WebTrust licensee of the American Institute of Certified Public Accounts ("AICPA").

For the services outlined above, DAC charges a \$2,500 set-up fee per new issue and an ongoing \$1,500 fee per year. Material event notices are \$250 each. DAC will bill for its services at the time of initial set-up on the DAC system, prior to releasing information to investors. A one-time set-up fee for the current outstanding debt is \$10,000.

Payment of these fees would be part of the costs of issuance on future debt issues and paid accordingly from proceeds. The District may terminate the agreement at any time.

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Florida school boards currently using DAC disclosure services include Brevard, Collier, Duval, Flagler, Lake, Leon, Seminole and Volusia. Other Florida municipal issuers as well as those in the rest of the country also use DAC disclosure services.

The Professional Services Contract Committee established by Board Rule 6Gx13-3F-1.021 met on October 30, 2002 to review this contractual agreement and recommended that an exception to the rule be granted, as the contractor has specific expertise in this area.

RECOMMENDED: That The School Board of Miami-Dade County, Florida

- (1) Authorize the Superintendent or his designee to enter into an agreement with Digital Assurance Corporation (DAC) to provide disclosure services required by SEC Rule 15c2-12 on District debt issues and
- (2) Authorize the payment of a \$10,000 one-time fee for all the District's outstanding debt and a \$1,500 annual maintenance fee to DAC for a total of \$11,500 from available cost of issuance funds
- (3) Grant an exception pursuant to School Board Rule 6Gx13-3F-1.021, Professional Services Contract.



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBIT I

September 21, 2001

Monty Humble, Esq.
Vinson & Elkins LLP
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201-7700

Re: Digital Assurance Certification L.L.C.

Based on your representations and the facts presented in your letter dated September 7, 2001 (the "Request"), the Division of Market Regulation will not recommend any enforcement action to the Commission against any broker, dealer, or municipal securities dealer (each, a "dealer") for violation of Subsection (c) of Rule 15c2-12 of the Securities Exchange Act of 1934 because the dealer uses the DAC Database as its source of Information in the procedures it establishes in order to have reasonable assurance that it will receive prompt notice of any event disclosed pursuant to paragraph (b)(5)(i)(C), paragraph (b)(5)(i)(D), and paragraph (d)(2)(ii)(B) of Rule 15c2-12 for DAC Bonds.

For purposes of this letter, the "DAC Database" is an Internet-accessible database maintained by Digital Assurance Certification L.L.C. ("DAC") and a municipal security included in the DAC Database is a "DAC Bond." "Information" refers to the Annual Financial Information, Audited Financial Statements, Notice Event notices, and Voluntary Reports, as such terms are used in the Request.

In reaching this position, we note in particular that:

1. Pursuant to a Continuing Disclosure Agreement for a DAC Bond, the issuer or obligated person will name DAC as its exclusive dissemination agent. The issuer or obligated person will agree to provide DAC with the Annual Financial Information and Audited Financial Statements (certified by a designated representative of the issuer or obligated party) by deadlines described in the Agreement and with all Notice Events notices and Voluntary Reports (each certified by a designated representative of the issuer or obligated party) for filing with nationally recognized municipal securities information repositories, state information depositories and/or the Municipal Securities Rulemaking Board (collectively, "Repositories") as required by Rule 15c2-12. DAC will agree to make such filings promptly upon its receipt of the Information.

2. DAC will be irrevocably instructed by the issuer or obligated person to file Notice Event notices of failure to file annual financial information with the appropriate Repositories at the times and under the circumstances which you have described in the Request.
3. Information in the DAC Database, including Notice Event notices, will be identical to the information DAC files with the Repositories.
4. Whenever DAC enters into a Continuing Disclosure Agreement with respect to an issue of municipal securities that is already outstanding, it will use its best efforts to obtain all Information with respect to that issue from the Repositories and include that Information in the DAC Database.

This no-action position is expressly conditioned on the current and continuing accuracy of the facts and representations contained in the Request; any different facts or conditions might require a different response. This position is based on current laws, rules, and regulations governing participants in, and the markets for, municipal securities. Any changes in such laws, rules, or regulations may supersede this no-action position or require the Division to reevaluate its position. In addition, DAC shall advise the Division of any material change in its standard form of Continuing Disclosure Agreement or the operations and procedures described in the Request, and, if possible, shall provide such information 30 days prior to any contemplated change, to enable the Division to reevaluate this no-action position in light of such change.

This no-action position is subject to modification or revocation at any time the Division determines that such action is necessary or appropriate. The Division may, from time to time, request that DAC provide it with additional information concerning the DAC Database and the DAC System referred to in the Request.

The position expressed herein is the Division's position on enforcement action only; it does not represent a legal conclusion on the question presented.

Sincerely,

A handwritten signature in black ink, appearing to read "Martha Mahan Haines". The signature is written in a cursive, flowing style.

Martha Mahan Haines, Chief
Office of Municipal Securities