

**CITY OF NORTH BEND, WASHINGTON**  
**BOND PROCEDURE AND POST ISSUANCE COMPLIANCE POLICY**  
**(FOR GOVERNMENTAL BONDS)**  
**DATE: APRIL 19,2022**

**SECTION I. PURPOSE OF BOND PROCEDURES AND POLICY.**

This Bond Procedure and Post Issuance Compliance Policy (“Policy”) addresses the City of North Bend, Washington’s (the “City”) compliance with federal tax and federal securities law requirements applicable to the City’s bond and other debt issuances. This Policy is intended to supplement the City’s policies and procedures adopted by the City relating to its debt issuances, which may include, but are not limited to, policies and procedures relating to financial management and state law requirements.

Numerous federal tax, federal securities and state law requirements must be met in connection with a bond issue. In some circumstances (e.g., revenue bonds) rate and other covenant requirements will also need to be satisfied. These requirements are addressed in the bond transcript completed at bond closing and confirmed in certain respects by the legal opinions included in the bond transcript. For each debt issuance, the City Deputy City Administrator or Finance Director (the “Responsible Officer”) has overall oversight responsibility for compliance with this Policy. The Responsible Officer may delegate tasks to other officers or staff of the City or to outside attorneys, consultants or other experts. Further, the City Council may authorize appropriate officials’ responsibility for compliance with certain portions of this Policy.

This Policy is to be reviewed at least annually and upon each issuance of new bonds, including refunding bonds. In connection with this periodic review, the City will consider whether this Policy should be amended or supplemented to address any particular requirements associated with the new bond issue, or to reflect general changes in legal requirements since the prior bond issue.

**SECTION II. FEDERAL TAX MATTERS.**

- A. Scope.** This Section II applies to all of the City’s tax-exempt and tax-advantaged governmental bonds, and other bonds subject to comparable requirements. As used in this Policy, references to “bonds” include bonds, lines of credit, bond anticipation notes, and equipment and other financing leases.

This Section II is intended to improve the City’s ability to:

- Prevent violations in bond requirements from occurring,
- Timely identify potential violations, and
- Correct identified violations through appropriate remedial steps.

- B. Requirements after Bond Closing.** The following addresses requirements after bond closing relating to federal tax law.

- 1) Primary Responsibility. The Responsible Officer will undertake post-issuance compliance relating to the City’s bonds. The Responsible Officer is familiar with the provisions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations (the “Regulations”) governing the tax-exempt or tax-advantaged status of the City’s bonds.
- 2) Officials or employees responsible for review. The Responsible Officer is responsible for reviewing compliance with the City’s post-issuance obligations related to federal tax law

compliance, including arbitrage, use of proceeds, use of facilities and Internal Revenue Service (“IRS”) filings. The Responsible Officer is to institute a calendaring system to track compliance with tasks in a timely manner.

The Responsible Officer may need to confer, from time to time, with the City’s bond counsel and/or financial advisor (if any), to confirm the applicability and scope of the requirements outlined in this Policy. For reference, the contact information for these advisors is provided below:

Pacifica Law Group LLP, as bond counsel  
Deanna Gregory  
206-245-1716  
Deanna.gregory@pacificallawgroup.com

Stacey Crawshaw-Lewis  
206-245-1714  
Stacey.Lewis@pacificallawgroup.com

Alison Benge (tax counsel)  
206-602-1210  
Alison.Benge@pacificallawgroup.com

- 3) Records to be Maintained. The following documents are maintained in connection with each bond issue. The goal is to retain adequate records to substantiate compliance with federal tax law requirements applicable to the City’s bonds. *Generally records should be maintained for the term of the bonds (plus the term of any refunding bonds) plus three years.* Unless otherwise specified, the following records are to be maintained in the office of the Responsible Officer:
- a) Complete bond transcript (provided by bond counsel) in electronic or hard copy.
  - b) Records of investment of bond proceeds in a format showing the date and amount of each investment, its interest rate and/or yield, the date any earnings are received and the amount earned, and the date each investment matures and if sold prior to maturity, the sale date and sale price.
  - c) Records of expenditure of bond proceeds in a format showing the amount, timing and the type of expenditure.
  - d) Records of invoices or requisitions, together with supporting documentation showing payee, payment amount and type of expenditure, particularly for projects involving multiple sources of funds.
  - e) Records necessary to document the allocation of bond proceeds and other sources of funds to particular projects or portions of projects.
  - f) Records documenting the final allocation of bond proceeds to projects, including any reallocations of bond proceeds, in a format showing the timing and substance of the reallocation, if applicable.
  - g) Records demonstrating compliance with arbitrage and rebate requirements, including arbitrage calculations, documentation of spending exceptions to rebate, rebate reports and IRS filings and payments.
  - h) Copies of contracts relating to the use of the bond-financed facility including leases, concession agreements, management agreements and other agreements that give usage rights

or legal entitlements with respect to the facility to nongovernmental persons (e.g., advertising displays, cell tower leases, and naming rights agreements).

- i) Copies of contracts relating to ongoing compliance with respect to the bonds, such as Calculation Agency Agreements or filings.
  - j) Copies of any filings or correspondence with the IRS or other regulatory body.
- 4) Investment of Bond Proceeds. In general, bond proceeds and certain other funds can only be invested at a rate that exceeds the yield on the bonds under limited circumstances. Furthermore, amounts earned by investing above the bond yield must be rebated to the IRS, unless the City qualifies as a small issuer or a spending exception is met. The arbitrage and rebate requirements for each bond issue are detailed in the federal tax certificate executed in connection with the applicable bond issue.

The Responsible Officer will monitor the investment and expenditure of the funds and accounts listed below. The Responsible Officer will determine whether the bond issue meets the requirement for one of the expenditure exceptions to arbitrage rebate. The Responsible Officer will determine whether a rebate calculation is necessary and, if so, will perform the calculation or engage a rebate consultant. The Responsible Officer will arrange for the payment of any required rebate to the IRS together with the appropriate IRS form on the dates described below.

- a) Funds to Monitor. The following funds will be monitored in connection with each bond issue:

- i) Bond or debt service funds/accounts
- ii) Project or construction funds/accounts
- iii) Any refunding accounts
- iv) Debt service reserve funds/accounts
- v) Any other accounts with bond proceeds
- vi) Any other accounts holding amounts pledged to pay bonds

- b) Arbitrage Reports; Rebate May Be Due.

- i) During construction, the Responsible Officer is to monitor expenditures to confirm satisfaction of expected exceptions to rebate (such as six month exception, 18 month exception, 24 month exception).
- ii) The first rebate payment is due five years after date of issue of the bonds plus 60 days.
- iii) Rebate is due every succeeding five years, if there are unspent gross proceeds of the bonds.
- iv) Final rebate payment is due 60 days after early redemption or retirement of the bonds.

- c) Limitations on Type of Investments. Bond proceeds must be invested as permitted under state law. In addition, the bond ordinance or any bond insurance agreement may further limit the permitted investments. To monitor compliance with these investment restrictions, the City may adopt investment policies which detail these requirements.

- 5) Use of Bond Proceeds During the Construction Period. Monitoring the expenditure of bond proceeds is necessary to assure that the required amount of bond proceeds are expended for capital expenditures and that not more than 10% of the bond proceeds are expended for projects that will

be used for in a private trade or business (including by the federal government and nonprofit entities).

- a) The Responsible Officer, in consultation with the appropriate Project Manager, is responsible for reviewing the transcript for the bonds, and in particular the authorizing documents and the federal tax certificate, as well as invoices and other expenditure records to monitor that the bond proceeds are spent on authorized project costs.
- b) If, at the completion of the project, there are unspent bond proceeds the Responsible Officer, conferring with bond counsel, will direct application of the excess proceeds for permitted uses under federal tax law, state law, and bond authorization documents.
- c) If the project involves bond proceeds and other sources of funds and included both governmental and nongovernmental use of the financed facilities, the Responsible Officer in consultation with the project manager or other authorized City official will undertake a final reconciliation of bond proceeds expenditures and expenditures of other funds with project costs no later than 18 months after the later of the date of expenditure or the date that the project is placed in service (but in no event more than five years after the date of issue).
- d) Any change in the scope of the project financed with bond proceeds should be reviewed and documented.
- e) Any delay in the project and the expected spending of bond proceeds should be discussed with bond counsel and documented.

6) Refundings.

- a) For refunding escrows, confirm that any scheduled purchases of State and Local Government Series ("SLGS") or open market securities are made as scheduled.
- b) On the redemption date, confirm that the refunded bonds have been redeemed and cancelled.
- c) Promptly following the redemption date, confirm that all proceeds of the bonds and all proceeds of the refunded bonds have been spent. Verify that excess proceeds, if any, of the bonds do not exceed an amount permitted by the Regulations.
- d) Final rebate payment is due 60 days after early redemption or retirement of the bonds.

7) Use of Bond-Financed Facilities. Monitoring (and limiting) any private use of the bond-financed facility is important to maintaining the federal tax treatment of governmental bonds. In general, no more than 10% of the bond-financed facility can be used in a *private* trade or business (including by the federal government and nonprofit entities). Private use can arise through any of the following arrangements, either directly or indirectly.

- a) Types of Private Use
  - i) Selling all or a portion of the facility
  - ii) Leasing all or a portion of the facility
  - iii) Entering into a management contract for the facility (except for qualified management contracts under IRS Rev. Proc. 97-13)
  - iv) Use of all or a portion of the facility for research purposes under a research contract (except for qualified research contracts under IRS Rev. Proc. 97-14)

- v) Entering into contracts giving “special legal entitlement” to the facility (for example, selling advertising space or naming rights)
  - b) Procedures for monitoring private use; procedures reasonably expected to timely identify noncompliance.
    - i) All leases and other contracts involving bond-financed property will be sent prior to execution to the Responsible Officer for review.
    - ii) The Responsible Officer will confer with personnel responsible for bond financed projects at least annually to discuss any existing or planned use of bond-financed or refinanced facilities.
    - iii) Private use for each bond-financed project will be calculated annually.
  - c) Procedures ensuring that the City will take steps to timely correct noncompliance.
    - i) Consult with bond counsel regarding any private use or proposed change in use with respect to bond-financed property.
    - ii) If noncompliance will be remediated under existing remedial action provisions or tax-exempt bond closing agreement programs contained in the Regulations or other published guidance from the IRS, determine the deadline for taking action and proceed with diligence to take the required remedial actions.
    - iii) If remedial actions are unavailable, determine whether to make a submission to the Tax-Exempt Bonds Voluntary Closing Agreement Program (“VCAP”) under Internal Revenue Manual 7.2.3.
- 8) Reissuance. A significant modification of the bond documents may result in bonds being deemed refunded or “reissued.” Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new arbitrage certificate. Bond counsel should be consulted in the event of modification of the bond documents.

### SECTION III. DISCLOSURE PROCEDURES.

- A. Purpose.** This Section III is intended to establish a framework for compliance by City with its disclosure and/or contractual obligations with respect to bonds, notes, and other securities it issues or that are issued on its behalf (as defined herein, the “Securities”), pursuant to the requirements of federal and state securities laws and other applicable rules, regulations, and orders. This Section III applies generally to all of the City’s tax-exempt and tax advantage bonds discussed in Section II, taxable Securities, and other debt issued on the City’s behalf subject to comparable requirements.

The City from time to time issues or is an obligated party with respect to taxable and tax-exempt Securities in order to finance and/or refinance its projects. The purpose of this Section III is to confirm and enhance existing procedures regarding compliance with applicable laws relating to disclosure by memorializing and communicating key principles and procedures in connection with such Securities in order:

- To facilitate compliance with applicable law and existing ongoing disclosure undertakings when preparing and distributing initial and ongoing disclosure documents,

- To reduce exposure (of the City and its officials and employees) to liability for damages and enforcement actions based on material misstatements and omissions in such documents, and
- To promote good investor relations.

It is the policy of the City to comply fully with applicable securities laws regarding disclosure in connection with the issuance of Securities and with the terms of its Continuing Disclosure Agreements (as defined below), including the Anti-Fraud Rules (as defined below).

The Anti-Fraud Rules require all material information relating to the offered Securities to be provided to potential investors. The information provided to potential investors must not contain any material misstatements, and the City must not omit material information which would be necessary to provide to investors a materially complete description of the Securities and the City's financial condition. In the context of the sale of Securities, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important, in the total mix of information made available to investors, in determining whether or not to purchase the Securities being offered.

The City must exercise reasonable care to avoid material misstatements or omissions when communicating with investors and may not knowingly or recklessly include material misstatements or omissions in such communications. Knowledge of any officer or employee of the City as well as information in files of the City may be imputed to the City.

The Responsible Officer has overall oversight responsibility for compliance with the Anti-Fraud Rules as such rules apply to the City's Securities.

**B. Definitions.** As used in this Section III, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent.

***Anti-Fraud Rules*** refer to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, particularly Rule 10b-5 under the Securities Exchange Act of 1934, and regulations adopted by the SEC under those Acts.<sup>1</sup>

***Continuing Disclosure Agreement*** means a certificate, the provisions of an ordinance or resolution, or an agreement of the City by which the City undertakes to provide financial and operating data periodically, and timely notices of certain events under the Rule.

***Continuing Disclosure Filing*** means a filing of financial and operating data or an event notice with the MSRB through EMMA pursuant to a Continuing Disclosure Agreement.

***Disclosure Documents*** mean Offering Documents, Continuing Disclosure Filings and other filings made on EMMA.

***EMMA*** means the Electronic Municipal Market Access System maintained by the MSRB, currently located at <http://www.emma.msrb.org>.

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<sup>1</sup> For example, the Anti-Fraud Rules provide that "It shall be unlawful for any person, directly or indirectly, ...

(a) To employ any device, scheme, or artifice to defraud,

(b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security."

**Final Official Statement** means a document prepared by or on behalf of the City in connection with the sale of its publicly sold Securities that discloses material information on the offering of such Securities.

**Financial Obligation** means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of clause (A) or (B) of this definition. The term financial obligation shall not include municipal securities as to which a Final Official Statement has been provided to the MSRB consistent with the Rule.

**Investor Communications** means any statement or other communication that is intended (or reasonably can be expected) to be accessible to and relied upon by investors of the City's Securities. Investor Communications include: Offering Documents, Continuing Disclosure Filings, and other filings made on EMMA, and may include, depending on the context, information uploaded or linked or posted to the website of the City, and press releases and other formal and/or public statements of the City

**MSRB** means the Municipal Securities Rulemaking Board.

**Offering Documents** mean Preliminary Official Statements, Final Official Statements and other documents by which Securities are offered for sale.

**Preliminary Official Statement** means a version of the Final Official Statement prepared by or for the City in connection with its publicly sold Securities prior to the availability of the Final Official Statement.

**Rule** means SEC Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, promulgated under the 1934 Act.

**SEC** means the United States Securities and Exchange Commission.

**C. Guidelines for Preparing Disclosure Documents.** The following guidelines apply to all officials and staff members who contribute information to, or otherwise assist in the preparation of, Investor Communications:

- 1) Staff members and officials involved in the preparation or review of Disclosure Documents or other Investor Communications are responsible for being familiar with the Anti-Fraud Rules.
- 2) Violations of the Anti-Fraud Rules may be punishable by civil or criminal penalties against the City and the individual staff members and officials responsible for the violations.
- 3) Staff members and officials involved in the preparation or review of Disclosure Documents and other Investor Communications are instructed to err on the side of raising issues when preparing or reviewing Disclosure Documents and other Investor Communications. Officials and staff are encouraged to consult with the City Attorney, bond counsel and/or disclosure counsel, if any, and/or the City's municipal advisor, if any, if there are questions regarding whether an issue is material. Any concerns regarding the accuracy of a Disclosure Document or other Investor Communication should be immediately reported to the City Attorney, bond counsel and/or disclosure counsel, if any.
- 4) This Policy is intended for the internal use of the City only and are not intended to establish any duties in favor of or rights of any person other than the City.
- 5) The officers and employees charged by this Policy with performing or refraining from any action may depart from this Policy when they and the Responsible Officer in good faith determine that such departure is in the best interests of the City and consistent with the duties of the City under the Anti-Fraud Rules. The Responsible Officer is encouraged to first consult with bond counsel, disclosure counsel and/or other legal counsel to the City prior to any such departure.

**D. Procedures for Investor Communications.** The following procedures shall be followed when preparing, checking, reviewing or issuing the following Investor Communications.

1) Preliminary and Final Official Statements and Other Offering Documents.

- a) The working group for the preparation of Offering Documents used in primary offerings shall consist of the following officers and employees of the City: City Finance Director, City Deputy City Administrator, City finance department staff, City Attorney, City Public Works Director and others as necessary depending on the credit (collectively, the “Disclosure Working Group”).
- b) At the beginning of the process for preparing a Preliminary Official Statement, the Disclosure Working Group will (i) determine (with input from other members of the transaction finance team, which may consist of the underwriter, underwriter’s counsel (if any), bond counsel, disclosure counsel, if any, the City’s municipal advisor (if any), bond registrar, and/or other parties to the transaction (the “Finance Team”)) what information should be disclosed in the Preliminary Official Statement to present fairly a description of the source of repayment and security for the Securities being offered, including related financial and operating information (which may include a discussion of material risks related to investment in the Securities), (ii) assign responsibilities for assembling and verifying the information, (iii) establish a schedule for producing the information and the Preliminary Official Statement that will afford sufficient time for final review by the Disclosure Working Group and Finance Team, and to obtain the approvals required by this Policy, and (iv) determine which City official has been delegated responsibility (in the bond ordinance or otherwise) to ultimately approve the release of the Preliminary Official Statement and approve and sign the Final Official Statement on behalf of the City, it being understood that such individual must read the Preliminary Official Statement and Final Official Statement from cover to cover.
- c) The Disclosure Working Group will (i) identify officers or employees of the City who are likely to know or be able to obtain and verify required information, (ii) request that they assemble, verify, and forward the information and provide information regarding any other fact that they believe to be important to investors, and (iii) establish a reasonable deadline for producing the information.
- d) The members of the Disclosure Working Group will review drafts of the Preliminary Official Statement and the process used to develop the Preliminary Official Statement to determine whether, based on information known or reported to them, (i) this Policy was followed, (ii) the material facts in the Offering Document appear to be consistent with those known to the members of the Disclosure Working Group (and, in the case of information included in audited financial statements or other source documents, are consistent with such source documents), and (iii) the Preliminary Official Statement does not omit any material fact that is necessary to be included to prevent such document from being misleading to potential investors.
- e) Prior to the public release of a Preliminary Official Statement, the Disclosure Working Group will complete a final review, consisting of comparing and resolving any material discrepancies between the City’s audited (and unaudited, if needed) financial statements and other source materials, and cover-to-cover review of the Preliminary Official Statement. The Disclosure Working Group and the Finance Team, as applicable, will complete their review of the Preliminary Official Statement prior to its release. Upon confirmation that the Disclosure Working Group and Finance Team have completed this review, the Preliminary Official Statement will be sent to the Responsible Officer or other authorized officer for approval, based on this confirmation, prior to releasing the Preliminary Official Statement to potential investors. The Responsible Officer’s approval may be documented in the form of a signed “deemed final” certificate, described in the following paragraph.



- f) For the purpose of satisfying the underwriter's compliance with the Rule, the Responsible Officer (and/or any other official designated by the City Council, if any) will be responsible for "deeming final" the Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, delivery dates, and other terms of the Securities dependent on such matters or permitted under the Rule to be omitted.
  - g) Prior to release of a Final Official Statement, the Disclosure Working Group will confirm that the pricing information included in the Final Official Statement matches the final pricing numbers and confirm that no material developments have occurred since the date of the Preliminary Official Statement (or, if material developments have occurred, that such developments are disclosed in a supplement). The Disclosure Working Group and Finance Team, as applicable, will complete their review of the Final Official Statement prior to its release. Upon confirmation that the Disclosure Working Group and Finance Team have completed this review, the Final Official Statement will be sent to the Responsible Officer for approval, based on this confirmation, prior to releasing the Final Official Statement to potential investors. The Responsible Officer's approval may be documented in the form of the signed closing certificate described herein.
  - h) In connection with the closing of the transaction, the Responsible Officer (and any other official designated by the City Council, if any) will execute a certificate under the Anti-Fraud Rules stating that the Offering Documents, as of their respective dates and as of the dates of pricing and closing, as applicable, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Offering Documents not misleading in light of the circumstances under which they were made.
  - i) The Disclosure Working Group will compile and retain a file (which may consist of electronic records) of the actions taken to prepare, check, review and approve the Offering Documents, including the sources of the information included, the comments and actions of the Disclosure Working Group, the description of the process followed by the Disclosure Working Group, and the confirmations and approvals received prior to releasing the relevant Offering Document.
- 2) Continuing Disclosure Filings. Certain of the City's Securities are subject to the ongoing filing requirements under the Continuing Disclosure Agreements, which require that the City make annual filings with the MSRB of audited financial statements and certain operating data, and, as required, notices of certain listed events.
- a) Annual Filings. The Responsible Officer will be responsible for filing all annual reports required under the City's Continuing Disclosure Agreements.

Under the existing Continuing Disclosure Agreements, the City's annual filings are required to be made no later than the end of nine months (September 30) after the end of the City's fiscal year. If audited information is not available by the filing date, unaudited information must be filed, and the audited information must be filed as soon as it is available.

Further, the Responsible Officer is responsible for providing, in a timely manner, notice of any failure to provide required annual financial information, on or before the date specified in the applicable Continuing Disclosure Agreement.

The Responsible Officer must (i) compile and maintain (and update after every issuance or defeasance of Securities) a list of all financial information and operating data required to be filed with the MSRB pursuant to each of the Continuing Disclosure Agreements, (ii) assign responsibilities to officers and employees, if necessary, for periodically assembling and verifying the data, (iii) request that they assemble, verify, and forward the data to the

Responsible Officer and notify the Responsible Officer if they have learned of any other fact that they consider to be material with respect to the information provided, and (iv) establish a schedule for producing the data (and the documents to be filed) that will afford sufficient time for final review and approval by the Responsible Officer.

Prior to posting an annual filing, the Responsible Officer will complete a final review, consisting of comparing and noting material discrepancies with source materials. Each Continuing Disclosure Filing shall be sent to the Responsible Officer or other authorized officer for approval prior to posting on EMMA.

The Responsible Officer will file or cause to be filed each annual filing with the MSRB through EMMA by the deadline established by the applicable Continuing Disclosure Agreements. The Responsible Officer must exercise reasonable care to file the annual filings in word-searchable PDF format and with the identifying information required by the Continuing Disclosure Agreements, including applicable CUSIP numbers for the Securities.

The Responsible Officer shall enroll on the EMMA website to receive annual email reminders of annual filing deadlines.

Prior to each offering of Securities, the Responsible Officer will determine whether the City has materially complied with all of its Continuing Disclosure Agreements during the previous five years. As applicable, the Responsible Officer will file (or cause to be filed) notice on EMMA disclosing instances of material noncompliance with the Continuing Disclosure Agreements during the previous five years, along with any information that was required to be filed.

- b) Notice of Reportable Events. The Continuing Disclosure Agreements require the City to give notice of the following reportable events (except as set forth below) in a timely manner *not more than ten (10) business days after the occurrence* of the event.
1. Principal and interest payment delinquencies
  2. Non-payment related defaults, if material
  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 bonds, or other material events affecting the tax status of the bonds
  7. Modifications to the rights of bondholders, if material
  8. Bond calls, if material, and tender offers
  9. Defeasances
  10. Release, substitution, or sale of property securing repayment of the Bonds, if material
  11. Rating changes (both upgrades and downgrades)
  12. Bankruptcy, insolvency, receivership or similar event of the City
  13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

*Additional Considerations for Events 15 and 16.* Disclosure of events 15 and 16 is required by Continuing Disclosure Agreements executed *after February 27, 2019*.

To facilitate compliance with Continuing Disclosure Agreements, the Responsible Officer will create and maintain an inventory of all Financial Obligations, which may consist of copies of each Financial Obligation. For each Financial Obligation, the inventory will show (i) the type of obligation (e.g., general obligation or revenue bond) and the fund from which the obligation is payable, (ii) the dates of its incurrence and maturity (or other expiration), (iii) key terms or a summary of key terms, default provisions, events of acceleration (if any), termination events or other similar reportable events that could reflect financial difficulties if triggered, and (iv) whether the Financial Obligation is determined to be material.

The Responsible Officer will review each Financial Obligation (with the assistance of disclosure counsel and/or bond counsel as needed) to determine whether it is material and subject to reporting under the City's Continuing Disclosure Agreements.

The Responsible Officer will periodically review the definition of Financial Obligations and the inventory of existing Financial Obligations with the appropriate City officers and employees. If there is a foreseeable possibility of any default, event of acceleration, termination event, modification of terms or other similar event is reasonably possible occur, the Responsible Officer will be informed.

- c) Preparation of Notice Filings. If the Responsible Officer learns of a potential reporting event and the event requires notice under the Continuing Disclosure Agreements regardless of whether the event is material or whether it reflects financial difficulty, the Responsible Officer shall prepare a notice giving notice of the event. If the Responsible Officer learns of a potential reporting event and the event requires notice under the Continuing Disclosure Agreements only if material,<sup>2</sup> the Responsible Officer shall assess the materiality of the reported event (with the assistance of disclosure counsel and/or bond counsel if needed). If the Responsible Officer determines that the event is material, the Responsible Officer shall prepare a notice giving notice of the event. If the Responsible Officer learns of a potential reporting event and the event requires notice under the Continuing Disclosure Agreements only if it reflects financial difficulty,<sup>3</sup> the Responsible Officer shall assess whether the reported event (with the assistance of disclosure counsel and/or bond counsel if needed) reflects financial difficulty. If the Responsible Officer determines that the event reflects financial difficulty, the Responsible Officer shall prepare a notice giving notice of the event.

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<sup>2</sup> Noted in italics in the list of reportable events.

<sup>3</sup> Noted in underlined text in the list of reportable events.

Whenever notice of a reportable event is required, the Responsible Officer will draft and file such notice within ten (10) business days of the occurrence of the event. The Responsible Officer will exercise reasonable care to file the event notice in the format and with the identifying information required by the applicable Continuing Disclosure Agreements, including CUSIP numbers for the applicable Securities. With respect to notices of bond calls or defeasances, the Responsible Officer may fulfill the responsibilities of this paragraph by (1) requesting the bond registrar to file notice of a bond call (if the bond registrar is the state fiscal agent) or (2) ensuring that an escrow agreement obligates the escrow agent to file timely notice of the defeasance of the refunded obligations.

- d) Other Investor Communications. The Anti-Fraud Rules apply to all Investor Communications. Such Investor Communications may include, but are not limited to, voluntary filings made on EMMA, information on the City's website (such as on an investor relations webpage), communications with investors (or potential investors), press releases and other formal statements of the City that are intended to reach investors. The Responsible Officer and other officers of the City shall exercise reasonable care to make sure that the information in Investor Communications is materially accurate and complete and otherwise in compliance with this Policy.

**E. Document Retention.** The following documents are maintained in connection with each Security. The goal is to retain adequate records to substantiate compliance with the Anti-Fraud Rules. Unless otherwise specified, the following records are to be maintained.

- Complete bond transcript in electronic format or hard copy, including (if applicable) copies of the Continuing Disclosure Agreements.
- A written record of any Financial Obligation or the occurrence of other notice event that is determined to be immaterial or not reflecting financial difficulty and thus not requiring disclosure, and the facts and circumstances used to reach such conclusion.
- Documentation of the actions taken to prepare, check, review and approve each Investor Communication made pursuant to these Procedures, including the sources of the information included.
- Electronic copies of confirmations from EMMA of all Continuing Disclosure Filings.
- Copies of any filings or correspondence with the SEC or other regulatory body.

**F. Engagement of Outside Disclosure Counsel.** In connection with the issuance of a Security, if it is determined to be in the best interest of the City by the Responsible Officer in consultation with the City's legal counsel, if necessary, the City may engage disclosure counsel (which may be bond counsel or other counsel) for advice with respect to the City's disclosure obligations and requirements under the federal securities laws. Disclosure counsel has a confidential, attorney-client relationship with officials and staff of the City.

Disclosure counsel provides a negative assurance letter as to the disclosure set forth in the Offering Document used in connection with the issuance of a Security. The letter advises the City, without assuming responsibility for the accuracy, completeness or fairness of the statements contained in Offering Document, that as a matter of fact and not opinion, that no information came to the attention of the attorneys working on the transaction which caused them to believe that the Official Statement as of its date, as of the date of pricing, and as of the date of its letter, as applicable (except for any financial or statistical data and forecasts, projections, numbers, estimates, assumptions and expressions of opinion, and other customary exclusions), contained or contains any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Such letters may help to establish that the

City exercised reasonable care when preparing Offering Documents, but are no defense to an action for failing to disclose or misstating a known material fact.

#### **SECTION IV. TRAINING.**

The City will provide opportunities for training to the Responsible Officer, legal counsel, department managers/directors, elected officials and other individuals responsible for complying with this Policy, as needed, specifically including the following training opportunities:

- At or after bond closing, a conference call or meeting with bond counsel to review the requirements applicable to a new bond issue.
- Participation in in-house training sessions, CPE seminars, or seminars/webinars conducted by professional organizations (e.g., GFOA, WPTA, WFOA, PSFOA).
- Training will be provided as necessary to address any changes in law or this Policy.