

**CITY OF KALAMA
INITIAL AND ONGOING DISCLOSURE POLICY
(ADDRESSING FEDERAL SECURITIES LAWS)**

ADOPTED: JUNE, 2018

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Scope. This policy is intended to establish a framework for compliance by the City of Kalama, Washington (the “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 policy applies generally to all of the City’s tax-exempt and taxable Securities, and other debt issued on the City’s behalf subject to comparable requirements.

This policy is intended to supplement the City’s Financial Management Policies and other 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 federal tax and state law requirements.

Purpose. 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 policy is to enhance existing documents, policies and 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 misstatements and omissions in such documents, and
- To promote good investor relations.

Definitions. As used in this policy, 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 1934 Act, and regulations adopted by the SEC under those Acts.¹

¹ 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.”

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.

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.

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>.

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.

Governing Body means the general legislative body of the City as it may be duly and regularly constituted from time to time.

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.

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

Responsible Officer means the ~~]]~~[City Clerk/Treasurer] or other officer responsible for ensuring compliance with this policy.

Deleted: [City Administrator]

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

SEC means the United States Securities and Exchange Commission.

Securities means bonds, notes, certificates of participation, and other debt obligations or securities of the City, or the payment of which the City is obligated to support by a lease, contract, or other arrangement, that are sold to or otherwise held or traded in by the public.

Policy and Background. 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. In offering Securities to the public and preparing Public Statements, the City will comply with the Anti-Fraud Rules. The Anti-Fraud Rules apply to any statement or other communication that is intended (or reasonably can be expected) to be accessible to and relied upon by investors, and may include Offering Documents, Continuing Disclosure Filings, and other Public Statements.

At their core, the Anti-Fraud Rules require all material information relating to the offered Securities 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 determining whether or not to purchase the securities being offered.

The City must exercise reasonable care to avoid material misstatements or omissions in preparing Public Statements that are used to sell Securities in primary offerings, and it may not knowingly or recklessly include material misstatements or omissions in other Public Statements while its Securities are outstanding. Knowledge of any officer or employee of the City as well as information in files of the City may be imputed to the City.

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, Public Statements:

- Staff members and officials involved in the disclosure process are responsible for being familiar with the Anti-Fraud Rules.
- Staff members and officials involved in the disclosure process are instructed to err on the side of raising issues when preparing or reviewing Public Statements. Officials and staff are encouraged to consult with bond counsel and/or disclosure counsel (outside counsel hired by the City to advise on securities laws and/or prepare Offering Documents on behalf of the City, which may be the City's bond 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 Public Statement should be immediately reported to bond counsel and/or disclosure counsel, if any, and/or the City's general counsel.
- The City has identified the Responsible Officer, and the other officials involved in the disclosure process under this policy, as having sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the City and its finances.
- This policy is intended for the internal use of the City only and is not intended to establish any duties in favor of or rights of any person other than the City.
- 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 Laws. 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.

Procedures. The following procedures shall be followed when preparing, checking, or issuing the following Public Statements.

(a) *Preliminary and Final Official Statements and Other Offering Documents.*

(1) 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 Administrator, City Clerk/Treasurer, [list others] (the "Disclosure Working Group").

(2) 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, trustee (if any) 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, and (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.

(3) The Responsible Officer shall (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.

(4) The members of the Disclosure Working Group shall 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 omits any material fact that is necessary to be included to prevent such document from being misleading to investors.

(5) 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 discrepancies between the City’s audited (and unaudited, if needed) financial statements and other source materials, and cover-to-cover review. The Disclosure Working Group and members of the Finance Team, as applicable, shall approve the Preliminary Official Statement prior to release. The Preliminary Official Statement shall be sent to the Responsible Officer [and *list any other officer(s) with final approval authority*] for approval prior to releasing the document to potential investors.

For the purpose of satisfying the initial purchaser’s compliance with the Rule, one or more senior officials of the City (e.g. the Responsible Officer) 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.

(6) Prior to release of a Final Official Statement, the Responsible Officer will confirm that the pricing information included in the Final Official Statement matches the final pricing numbers, and confer with the Disclosure Working Group to confirm that no material developments have occurred since the date of the Preliminary Official Statement. The Disclosure Working Group and Finance Team members shall approve the final draft of the Final Official Statement prior to release. The Final Official Statement shall be sent to the Responsible Officer [and *list other officer(s) with final approval authority*] for approval prior to releasing the document to potential investors.

(7) In connection with the closing of the transaction, one or more senior officials of the City (e.g. the Responsible Officer) will execute a certificate under the Anti-Fraud Rules stating that the Offering Document, as of its date and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Offering Document not misleading in light of the circumstances under which they were made.

(8) The Disclosure Working Group shall compile and retain a file of the actions taken to prepare, check, 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 approvals received prior to releasing the relevant Offering Document.

(b) *Continuing Disclosure Filings.* Certain of the City's Securities are subject to the ongoing filing requirements under the Rule, which require that the City make annual filings with the MSRB of audited financial statements and certain operating data, and, on an as-needed basis, notices of certain listed events.

(1) *Annual Filings.* The Responsible Officer shall be responsible for filing all annual reports per the Continuing Disclosure Agreements for all outstanding Securities subject to the Rule. 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 shall be 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 shall (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, finance staff will complete a final review, consisting of comparing and noting any discrepancies with source materials, and cover-to-cover review. Each Continuing Disclosure Filing shall be sent to the Responsible Officer and City Administrator [and list other officer(s) with final approval authority] for approval prior to posting on EMMA.

The Responsible Officer or other responsible officer shall 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 shall exercise reasonable care to file the annual filing in word-searchable PDF format and with the identifying information required by the Continuing Disclosure Agreements, including applicable CUSIP numbers for the City's Securities.

The Responsible Officer other responsible officers shall enroll on the EMMA website to receive annual email reminders of annual filing deadlines. Further, prior to each offering of Securities, the one or more staff members will search EMMA for its continuing disclosure filings to confirm proper filings have been timely made.

(2) *Notice of Reportable Events.* The Responsible Officer shall maintain a list of events of which the City is required to provide notice to the MSRB pursuant to the Continuing Disclosure Agreements. As of the date of this policy the reportable events include:

- Principal and interest payment delinquencies;

- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service 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;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- 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; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Responsible Officer shall (a) identify the officers and employees of the City who are most likely to first obtain knowledge of the occurrence of such events, and (b) request in writing that they notify the Responsible Officer immediately after learning of any such event, regardless of materiality, and repeat such request in a [quarterly] reminder.

The Responsible Officer shall assess the materiality of any reported event with the assistance of bond counsel and/or disclosure counsel, if any (reportable under the Continuing Disclosure Agreements only if material) and, if notice of the event must be given (or if no materiality standard applies to that particular event), prepare a notice giving notice of the event.

The Responsible Officer shall file the event notice with the MSRB through EMMA by the deadline established by the Continuing Disclosure Agreements (e.g. within 10 business days after the *occurrence* of the event). The Responsible Officer shall exercise reasonable care to file the event notice in the format and with the identifying information required by the Continuing Disclosure Agreements, including CUSIP numbers for the applicable Securities.

(c) *Other Public Statements.* Other statements or communications that are intended (or reasonably expected) to be accessible to and relied upon by investors of the Securities are subject to the Anti-Fraud Rules. Such Public Statements 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, and press releases and other formal statements of the City. The Responsible Officer and other officers of the City shall exercise reasonable care to make sure that such information is materially accurate and complete and otherwise in compliance with this policy.

The following provisions are intended to guide the City when making other Public Statements:

- Website Disclosure. The City's website shall be reviewed at least annually to assure that (i) material third-party information is not linked or referred to without appropriate disclaimers, is not hyperlinked, and is not included unless the Responsible Officer has reason to believe that it is

reliable, and identifies the source of the information, (ii) dated material information is removed from the website or moved to a clearly labeled archives page, (iii) all material financial and operating data is presented as of a specific date with appropriate disclaimers as to the currency of the data, (iv) no material forward-looking statements (projections, forecasts, etc.) are included unless they are based on reasonable assumptions and are accompanied by a description of the substantial risks to achieving the forecasted results, and (v) the material information presented is consistent with the knowledge of such persons and not internally inconsistent.

- **Investor Inquiries.** The [] shall serve as the coordinator and central point of contact for all investor inquiries. Except for communications that occur in connection with primary offerings, all inquiries (such as email or telephone communications) from investors shall be managed by the []. If any other employee of the City receives an inquiry from an investor, that employee shall refer such inquiry to the [].

With respect to each inquiry from an investor, (i) if information necessary to respond to such inquiry has already been included in a Public Statement, then the [] may respond to such inquiry from information in the Public Statement (provided that the Public Statement is not materially inaccurate or incomplete), and (ii) if information necessary to respond to such inquiry is not obtainable from information included in a Public Statement, then the [] shall determine the best manner to respond to such inquiry in a manner that assures that it is accurate, which may include convening a meeting of bond counsel, disclosure counsel, if any, and other members of the Disclosure Working Group for broader inquiries or ones that require subjective judgment in responding.

- **Press Releases and Other Public Statements.** The Responsible Officer shall review press releases and other Public Statements to determine whether such statements could reasonably be material to investors and, if so, to assure that the factual statements in the Public Statement are materially accurate and complete. If such Public Statement could reasonably be material to investors, the Responsible Officer shall determine whether such information is already readily accessible to investors and, if not, shall make a determination of whether to post such information on EMMA.

Training. The City will provide or cause to be provided training for finance staff, the Responsible Officer, legal counsel, and others involved in the preparation of Offering Documents and Continuing Disclosure Filings. The training program shall impart the requirements of the Anti-Fraud Rules and the Continuing Disclosure Agreements and the duties of such officers and employees under this policy. Training will be provided at least annually as necessary to address any changes in law or this policy.

Periodic Review. This policy shall be reviewed at least annually by the Responsible Officer and in connection with any new Security offering. In addition, at any time all officers and employees of the City are invited and encouraged to make recommendations for changes to this policy so that it fosters better compliance with the Anti-Fraud Rules, results in better information to investors, or makes the procedures required by this policy more efficient.

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 in the office of the Responsible Officer.

- Complete bond transcript in electronic format or hard copy, including (if applicable) copies of the Continuing Disclosure Agreements.
- Documentation of the actions taken to prepare, check, and approve each Public Statement made pursuant to this policy, including the sources of the information included.

- Copies of all Continuing Disclosure Filings, including confirmation from EMMA.
- Copies of any filings or correspondence with the SEC or other regulatory body.

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 outside legal counsel with expertise in securities laws (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”). 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 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 and as of the date of their letter (except for any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and other customary exclusions), contained or contains any untrue statement of a material fact or omitted or omits 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 care, but are no defense to an action for failing to disclose or misstating a known material fact.

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