

COUNTY EXECUTIVE OFFICE

PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 1 OF 7

TITLE: CONTINUING DISCLOSURE PROCESSES

AUTHORITY: SEC RULE 15c2-12 AND 15c2-12(b)(5)

A. Continuing Disclosure Overview:

1. Governing Law

Rule 15c2-12, under the Securities Exchange Act of 1934 (the “Rule”), as amended, prohibits brokers, dealers and municipal securities dealers (underwriters) from purchasing or selling municipal securities unless they reasonably believe that the state or local government issuing the securities has agreed to disclose certain financial information, operating data, and notices of certain events.

The Municipal Securities Rulemaking Board (MSRB) and other regulatory agencies typically offer annual seminars and/or workshops designed to provide training on existing and proposed regulations related to continuing bond disclosures. All staff involved in continuing bond disclosures shall attend seminars and/or workshops, as staffing schedule permits. Underwriters’ Counsels and Disclosure Counsels should also be consulted about any potential changes to continuing bond disclosure regulations. Staff shall also log onto the MSRB website (www.emma.msrb.org) at least annually to check for any regulatory changes pertaining to continuing bond disclosure.

The Continuing Disclosure certificate found in each financing contains the information to be disclosed annually and when event notices shall be filed. Specific instructions as to the manner and data that shall be reported are contained in the Official Statement (OS) of each bond issue, in the form of a certificate and typically include:

- a. Reporting period (i.e., annual, semiannual)
- b. Filing due date
- c. Contents to be included in the report

The items listed above vary from offering to offering. Refer to the Continuing Disclosure Certificate contained in the OS and the transcript related to the offering for which you are filing a report to determine the specific data required for each report.

2. Electronic Filing

Continuing Disclosure Annual Reports (CDAR) are to be filed with the Nationally Recognized Municipal Securities Information Repositories (NRMSIR), through the MSRB, for any offering of municipal securities issued on or after January 1, 1996. Effective July 1, 2009, Electronic Municipal Market Access (EMMA) became the sole NRMSIR.

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PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 2 OF 7

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B. Continuing Disclosure Process:

County Executive Office, Public Finance Department designated staff member (the “County’s Designee”) has oversight responsibility for the preparation and filing of all continuing disclosure reports and material event notices pursuant to the Certificates.

The Continuing Disclosure Public Finance staff assignment include:

1. County’s Designee: Administrative Manager I
2. Supervisor/Reviewer: Administrative Manager II
3. Final Review/Approval: Public Finance Director (Director)

Prior to closing a bond issue that is not exempt from Rule 15c2-12, the Public Finance Director or designee shall request the County’s Designee to review the Certificate and return with comments. Upon the Board of Supervisors’ approval of the bond documents, including the Certificate, the Public Finance Director or designee shall provide a copy of the Certificate to the County’s Designee to be reviewed and added to the CDAR Checklist (“Checklist”).

C. Continuing Disclosure Procedure:

1. Continuing Disclosure Reports Checklist

The County’s Designee shall maintain the Checklist of bond issues requiring continuing disclosure reports. The bond issues in the Checklist shall be listed according to due dates and shall contain at minimum the bond maturity dates, status, and the initials and dates of the County’s Designee, reviewer and the Public Finance Director. As new bonds are issued, the County’s Designee shall add the bond issue name, due date, and maturity date to the Checklist as necessary. Additionally, the Checklist shall contain a column for entering the date that significant events were filed. A separate material event notice log will be maintained.

2. Sources of Data for Preparation of Continuing Disclosure Reports

The data to be included in all of the continuing disclosure reports come from various sources including, but not limited to:

<u>Data</u>	<u>Source</u>
a. Comprehensive Annual Financial Report	Auditor-Controller (website)
b. Budget Tables	CEO Budget Office and the CAFR
c. Treasurer’s Investment Policy and investments in the Treasurer’s Pools	Treasurer/Tax Collector’s Office (website)

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PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 3 OF 7

TITLE: CONTINUING DISCLOSURE PROCESSES

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| d. Special District tax levy, delinquency, etc. | Special Tax Levying Agent and Auditor-Controller support staff assigned to CEO Public Finance |
| e. Data for Successor Agency to Orange County Development Agency | Auditor-Controller Staff and Successor to Redevelopment Agency Consultant |

The turnaround time for responses from the various sources must be taken into consideration; therefore, advance notice (at least two weeks) shall be given to these sources.

Other sources of data for preparing CDAR are shown in the original statement of the initial bond offering. The County Designee should be aware that another County department or external firm may also provide the necessary continuing disclosure data.

3. Preparation and Electronic Filing of the Reports

All continuing disclosure reports, along with any attachments (i.e., CAFR, Treasurer's Investment Report, etc.), shall be filed electronically with the EMMA, in Word-searchable pdf format through www.emma.msrb.org, subject to the approval of the Public Finance Director.

The County engages a Dissemination Agent or Agents (the "Agent"), through a contractual agreement to prepare and file the CDAR.

The Agent shall prepare the CDAR in accordance with the requirements of the respective Certificates, as follows:

- a. Prepare the CDAR.
- b. Forward the CDARs to the County's Designee for review (see Step 4 below).
- c. File the CDAR electronically, subsequent to obtaining written approval from the County's Designee.
- d. Forward copies of all completed CDAR and electronic filing confirmations to the County's Designee.

COUNTY EXECUTIVE OFFICE

PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 4 OF 7

TITLE: CONTINUING DISCLOSURE PROCESSES

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4. Review and Approval of the Reports

The review and approval process for a CDAR prepared by the Agent shall be as follows:

- a. Agent shall forward all completed CDAR to the County's Designee for review.
- b. County's Designee shall review CDAR.
- c. County's Designee shall send an electronic copy of all CDAR needing revision to the Agent
- d. Agent shall make all revisions required.
- e. County's Designee shall review the final CDAR and submit copies to the Supervisor/Reviewer for review.
- f. Director shall review CDAR and provide final approval.
- g. County's Designee shall instruct the Agent to file the CDAR.
- h. County's Designee, Supervisor/Reviewer, and Director shall initial and date the Checklist as CDAR are reviewed.

5. Posting on County of Orange Website

Once CDAR is filed on EMMA the County's Designee shall have the CDAR posted to the Website within a reasonable time period.

http://ocgov.com/gov/ceo/deputy/finance/public/continuing_disclosure_reports

6 Storage, Retention, and Protection of Documents and Electronic Data

A hard copy of the CDAR and backup documentation shall be retained for 5 years after the bonds are matured.

Electronic copies of the CDAR that have been approved and filed shall be stored on the CEO/Bond Share drive, along with all backup documentation and confirmations of filings. A separate folder shall be created for each calendar year with each bond issue identified in a specific sub-folder. The OCIT Department completes daily incremental backups of all documents changed each evening that are stored locally. The backups are also replicated to the County's Disaster Recovery site. On a monthly basis, a full backup is created and these backups are transferred to tape and shipped offsite for long term DR storage. Other data and databases on designated servers are also backed up under the same incremental/full/tape out process.

COUNTY EXECUTIVE OFFICE

PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 5 OF 7

TITLE: CONTINUING DISCLOSURE PROCESSES

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7. Modification and Amendment to Continuing Disclosure Reports

CDAR can be amended after filing. Such amendments should be made soon after an error or omission is discovered if deemed material by the Public Finance Director. The Dissemination Agent shall be notified to submit the amended CDAR to EMMA. A copy of the amendment and the confirmation of electronic filing shall be added to the electronic files on the shared drive. Revisions to prior filings shall also be noted in the Checklist. CDAR amendment will be evaluated to determine if a Material Event has occurred and a Material Event notice filing is also required. County Counsel and/or Bond Counsel may be consulted to assist in evaluation.

8. Reporting of Significant Events

(1) The Certificate will contain the occurrences which require a material event notice. As stated in SEC Rule 15C2-12 the Public Finance Division shall give notice of the occurrence of the following events not later than ten business days after the occurrence to EMMA.

- a. Principal and interest payment delinquencies;
- b. Unscheduled draws on the debt service reserve reflecting financial difficulties;
- c. Unscheduled draws on credit enhancements reflecting financial difficulties;
- d. Substitution of credit or liquidity providers, or their failure to perform;
- e. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue;
- f. Tenders Offers;
- g. Defeasances;
- h. Rating changes or
- i. Bankruptcy, insolvency, receivership or similar event of the County of Orange.

COUNTY EXECUTIVE OFFICE

PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03

DATE: Rev. 02/17/2016

CATEGORY: MUNICIPAL SECURITIES DISCLOSURE

PAGE: 6 OF 7

TITLE: CONTINUING DISCLOSURE PROCESSES

AUTHORITY: RULE 15c2-12 MUNICIPAL SECURITIES DISCLOSURE

(2) If material he following events requires a notice of their occurrence not later than ten business days after the occurrence of the event.

- a. Non-payment related defaults;
- b. Unless described above, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- c. Modifications to rights of the Owners of the Bonds;
- d. Bond calls;
- e. Release, substitution or sale of property securing payment of the securities;
- f. Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated person or their termination;
- g. Appointment of a successor trustee or the change of the name of a trustee;
- h. Failure to provide annual financial information as required.

(3) In a timely manner, notice shall be given for a failure to provide the annual financial information.

9. Immaterial Event and/or Error Found in a CDAR

Immaterial event and/or error found in a CDAR shall be documented in a letter format and approved by the Director, see Attachment A. A log shall be maintained for the event and/or error. Also, a determination must be made whether to disclose the immaterial event and/or error in the next years CDAR.

10. Monitoring Outstanding Bond Credit Ratings

- a. The Agent will monitor the market on a weekly basis for rating changes pertaining to all outstanding municipal debt and the County's issuer rating and provide a rating summary the following week. The Agent will notify the Director immediately in writing of the rating changes.
- b. Upon receipt by the Director of such rating change, the Director may contact the Agent and give them authorization to assemble a material event notice pertaining to the rating change.
- c. Upon the Director's authorization, the Agent shall prepare and assemble the material event notice into a final form and obtain approval from the Director prior to submission to EMMA.
- d. The Agent shall submit in electronic format and confirm submission of the reporting of material event notice in EMMA and provide copy to the County Designee.

COUNTY EXECUTIVE OFFICE

PUBLIC FINANCE DIVISION POLICIES AND PROCEDURES

NUMBER: D-1.03 DATE: Rev. 02/17/2016
CATEGORY: MUNICIPAL SECURITIES DISCLOSURE PAGE: 7 OF 7
TITLE: CONTINUING DISCLOSURE PROCESSES
AUTHORITY: RULE 15c2-12 MUNICIPAL SECURITIES DISCLOSURE

11. Continuing Disclosure Statement within the Official Statement

County's Designee shall maintain the history of the continuing disclosure statement presented in the Official Statements in a separate folder on the CEO/Bond Share drive. The latest disclosure statement shall become the draft for the next financing. The Public Finance Director must approve any changes to this statement.