



Date of Council Meeting: January 27, 2015

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Securities and Exchange Commission's (SEC) Municipalities Continuing Disclosure Cooperation (MCDC) Initiative

Staff Contact: Clark Case, Director of Finance and Administrative Services

Council Action Requested: Adoption of Town policy regarding disclosures in Town bond issue official statements and disclosures to be performed in continuing disclosure undertakings

Staff Recommendation: I recommend that Town Council adopt a formal policy on bond disclosures and annual continuing disclosures.

Commission Recommendation: Not applicable.

Fiscal Impact: Additional bond attorney and/or compliance agent fees of about \$5,000 annually.

Executive Summary: On November 10, 2014, Town Council authorized the Town Manager to file a questionnaire with the SEC and potentially enter into a legal settlement with the SEC Enforcement Division, if necessary, to correct certain errors in the Series 2011 General Obligation Bonds Official Statement. On November 21, 2014, the Town filed the required questionnaire. A response from the SEC is pending. If the Town is required to enter into a settlement, one of the requirements will be for the Town to adopt a formal policy on official statement disclosures and continuing disclosures. Since adopting such a policy would be a best practice regardless of any SEC settlement, Town staff working with the Town's bond attorneys has drafted the attached policy for Council's approval.

Background: Citigroup self-reported errors in the Town's Series 2011 bond issue's Official Statement related to failing to timely report a bond ratings upgrade and the omission of a late 2006 filing of required continuing disclosures. This indicated to the SEC that Citigroup regarded these errors as potentially "material". The Town management, with the approval of Council, filed a questionnaire with the SEC's Enforcement Division MCDC Initiative group on November 21, 2014. Filing of the questionnaire with the Enforcement Division certifies the Town's agreement to enter into a settlement with no financial penalties under the MCDC program should the SEC Enforcement Division find that the errors in disclosure are material enough to merit participation. The Town will be required to take compliance

actions such as formally correcting the disclosure errors, disclosing the errors in future official statements, and adopting formal policies to prevent future disclosure failures should the SEC determine the errors are material. On November 21, 2014, Kevin Guerrero, of the SEC Enforcement Division, confirmed receipt of the Town's questionnaire and indicated that the SEC had received a large volume of questionnaires, so it would likely be several months before the Town receives any further information. The SEC may decide that the errors are not material enough to require the Town's participation in the program, which would end the matter. The SEC may decide to require Town participation and enter into a settlement agreement.

Attachments: (1) Proposed Policy for Town Council review

PRESENTED January 27, 2014

RESOLUTION NO. _____

ADOPTED _____

A RESOLUTION: ADOPTION OF TOWN POLICY REGARDING DISCLOSURES IN TOWN BOND ISSUE OFFICIAL STATEMENTS AND DISCLOSURES TO BE PERFORMED IN CONTINUING DISCLOSURE UNDERTAKINGS

WHEREAS, the Town Council of the Town of Leesburg, Virginia (the "Town Council"), has been provided information regarding the Securities and Exchange Commission's requirements and enforcement emphasis related to SEC Rule 15c2-12; and

WHEREAS, the Town Council understands that the Securities and Exchange Commission (the "SEC") believes that widespread issues exist in the municipal securities markets related to continuing disclosure compliance; and

WHEREAS, the Town of Leesburg, Virginia (the "Town"), is active in the municipal securities markets; and

WHEREAS, the Town Council has been informed that having Town Council approved policy and set written procedures for ensuring compliance in the preparation of Official Statement disclosures and continuing disclosures is regarded by the SEC as a best practice to ensure compliance; and

WHEREAS, the Town Council desires to authorize the Town Manager and Town staff to take any and all necessary steps to ensure continuing compliance in all Official Statement disclosures and required continuing disclosures to prevent any event of noncompliance; and

WHEREAS, the Town Council previously authorized the Town Manager, Director of Finance and Administrative Services and the Town Attorney to consult with all officers and agents of the Town (the "Officers") and bond counsel to the Town ("Bond Counsel") to prepare a disclosure policy for the Town Council's review.

Therefore, resolved, by the Council of the Town of Leesburg, Virginia:

1. The Town Council hereby adopts, authorizes and approves the attached Town of Leesburg Disclosure Policies and Procedures,

2. The Town Council hereby delegates to the Town Manager and the Director of Finance and Administrative Services and their designees, the authority (i) to take any and all actions necessary to assure that all Town Official Statements are fully in compliance with SEC rules and regulations without material errors of fact, and (ii) to authorize the Town Manager and the Director of Finance and Administration and their designees to take any and all actions necessary to assure full compliance with all Town continuing disclosure undertakings including but not limited to all actions necessary to ensure all continuing disclosures are filed accurately and timely on the Electronic Municipal Market Access (EMMA) website in full compliance with SEC Rule 15c2-12.

A RESOLUTION: ADOPTION OF TOWN POLICY REGARDING DISCLOSURES IN
TOWN BOND ISSUE OFFICIAL STATEMENTS AND DISCLOSURES
TO BE PERFORMED IN CONTINUING DISCLOSURE
UNDERTAKINGS

3. The Town Council hereby authorizes the Town Manager, the Director of Finance and Administrative Services, the Town Attorney and Bond Counsel to execute and deliver on the Town's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the actions authorized by this Resolution.

4. This Resolution shall take effect immediately upon adoption.

PASSED this 27th day of January, 2014.

Kristen C. Umstattd, Mayor
Town of Leesburg

ATTEST:

Clerk of Council

TOWN OF LEESBURG

CONTINUING DISCLOSURE POLICIES AND PROCEDURES

ARTICLE I GENERAL

1.1 Purpose. These Continuing Disclosure Policies and Procedures of the Town of Leesburg are intended to ensure that the Disclosure Documents are accurate and comply with all applicable federal and state securities laws and that Continuing Disclosure Documents are filed accurately and timely.

1.2 Definitions. Each capitalized term used herein has the meaning given to it Exhibit A.

ARTICLE II DISCLOSURE WORKING GROUP AND DISCLOSURE COORDINATOR

2.1 Disclosure Working Group.

(a) *Disclosure Working Group Established*. By adoption of these Disclosure Procedures, the Town hereby establishes the Disclosure Working Group as a special working group within the Town.

(b) *Members of the Disclosure Working Group*. The initial members of the Disclosure Working Group are: the Town Manager (or a designee), Director of Finance and Administrative Services, Controller, and Management Analysts. The Town Attorney participates on an as needed basis, since the bond attorney is primary support for this function.

(c) *Meetings*. The Disclosure Working Group shall meet as often as necessary to fulfill its obligations, but not less than once per calendar year by any means permitted under the laws of the Commonwealth of Virginia.

(d) *Responsibilities of the Disclosure Working Group*.

- (i) Consult with the Financing Group or other interested parties as advisable related to disclosure issues and practices.
- (ii) Review and approve all Official Statements.
- (iii) Review and approve the Town's Financial Statements for compliance with these Disclosure Procedures.
- (iv) Review and approve any other Disclosure Documents before such documents are released, including filings required to be made under a Continuing Disclosure Undertaking.

- (v) Review annually the Town's status and compliance with Continuing Disclosure Undertakings and compliance with these Disclosure Procedures.
- (vi) Review any other items referred to the Disclosure Working Group.
- (vii) Work in concert with the Town's bond counsel to conduct, with the assistance of the Town Attorney, training as provided in subsection (e).
- (viii) Establish working relationships with professional advisors with expertise in the area of public finance and federal securities laws applicable to the issuance of securities by the Town.
- (ix) Evaluate the effectiveness of these Disclosure Procedures and approve changes to these Disclosure Procedures.

(e) *Training.*

- (i) The Disclosure Coordinator shall ensure that the Disclosure Working Group, all Contributors and the Town Council are properly trained to understand and perform their responsibilities.
- (ii) Each member of the Town Council should receive information on disclosure requirements as part of his or her new member orientation.
- (iii) The Disclosure Coordinator shall arrange for at least annual disclosure training sessions for the Disclosure Working Group conducted by the Town's disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the Town's disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of Town staff. Bond Counsel should annually update members of the Town Council with a summary of Council member roles and obligations and any significant regulatory changes since the prior year. Such updates may be conducted in-person at a regular Town Council meeting, using a recorded presentation, PowerPoint presentation, electronic letter, or hard copy letter depending upon the scope of regulatory changes and Town Council needs.

(f) *Disclosure Document Status.* (i) The Disclosure Working Group is responsible for determining whether a document is a Disclosure Document.

- (ii) The list of Disclosure Documents is set forth on Exhibit B.

- (iii) The Disclosure Working Group shall periodically review and update the list of Disclosure Documents when appropriate.

(g) *Review and Approval of Disclosure Documents.* (i) Following receipt of a Disclosure Document from the Disclosure Coordinator or the Financing Group, the Disclosure Working Group shall evaluate the Disclosure Document for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions of the Disclosure Coordinator.

- (ii) The Disclosure Coordinator shall consult with the Town's bond counsel to the extent the Disclosure Coordinator considers appropriate in connection with the review and approval of a Disclosure Document but shall obtain such review before filing any documents on EMMA and on each Official Statement.

2.2 Disclosure Coordinator.

(a) *Appointment.* The Disclosure Working Group shall select and appoint a disclosure coordinator (the "**Disclosure Coordinator**").

(b) *Duties of the Disclosure Coordinator.* The Disclosure Coordinator shall perform the following duties.

- (i) Serve as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Disclosure Document.
- (ii) Monitor the Town's compliance with these Disclosure Procedures and the Town's Continuing Disclosure Undertakings.
- (iii) Communicate with all necessary parties regarding the preparation and dissemination of Disclosure Documents to ensure that assigned tasks are completed on a timely basis and to ensure that the Town is complying with these Disclosure Procedures and the Town's Continuing Disclosure Undertakings.
- (iv) Solicit relevant information from Town departments related to Disclosure Documents; compliance with these Disclosure Procedures or any of the Town's Continuing Disclosure Undertakings.
- (v) Maintain the records specified under these Disclosure Procedures and records documenting the Town's compliance with these Disclosure Procedures.
- (vi) Determine when Disclosure Documents are final and ready for review by the Disclosure Working Group.

- (vii) Ensure compliance with training procedures as set forth in these Disclosure Procedures.
- (viii) Recommend changes to these Disclosure Procedures to the Disclosure Working Group.

ARTICLE III
REVIEW AND APPROVAL OF OFFICIAL STATEMENTS

3.1 Procedures for Preparation and Review of an Official Statement.

(a) *Financing Group.* At the outset of a transaction that will require an Official Statement, the Director of Finance and Administrative Services shall identify a Financing Group (the "**Financing Group**") for such financing (the composition of which may differ for each financing), which shall include, at a minimum, the following individuals, to the extent applicable:

- (i) Director of Finance and Administrative Services;
- (ii) Controller;
- (iii) Town Attorney (or a deputy designated by the Town Attorney);
- (iv) the Town's outside bond counsel and disclosure counsel;
- (v) the Town's financial advisor;
- (vi) the Town's underwriter, if any;
- (vii) other third party consultants related to the financing (such as consulting engineer or rate consultant); and
- (viii) other members of the Disclosure Working Group as the Director of Finance and Administrative Services determines to be appropriate.

(b) *General Responsibilities of the Financing Group.*

- (i) Prepare the Official Statement.
- (ii) Solicit relevant information from Town departments to include in Disclosure Documents.
- (iii) Identify persons assigned to assist with the review or preparation of a Disclosure Document ("Contributors") who (a) should prepare portions of the Official Statement, (b) may have information necessary to prepare portions of the Official Statement or (c) should review portions of the Official Statement.

- (iv) Integrate into the Official Statement information provided by Contributors.
 - (v) Transmit the Official Statement to the Disclosure Working Group for review and approval.
- (c) *Responsibilities of Director of Finance and Administrative Services.*
 - (i) Review the Official Statement and any marketing materials or credit package.
 - (ii) Participate in any due diligence procedures with underwriters.
 - (iii) Identify any significant difference in presentation of financial information from the Financial Statements and ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Director of Finance and Administrative Services (or the relevant staff members) or of relevance to the finances of the Town.
 - (iv) Determine, in consultation with the Financing Group, whether the Town's then-available Financial Statements are appropriate to be included in the Official Statement and whether to seek the consent of the Town's auditor to include the Financial Statements in the Official Statement.
- (d) *Responsibilities of Town Attorney (or designee).*
 - (i) Review the Official Statement and any marketing materials or credit package.
 - (ii) Participate in any due diligence procedures with underwriters.
 - (iii) Draft descriptions of (i) any significant current, pending or threatened litigation, (ii) any significant settlements or court orders and (iii) any other legal issues that are significant for purposes of the Official Statement.
- (e) *Identification of and Contribution from Contributors.*
 - (i) The Director of Finance and Administrative Services shall contact the individuals and departments identified as Contributors as soon as possible in order to provide adequate time for them to perform their assigned tasks.
 - (ii) The Director of Finance and Administrative Services shall inform each Contributor of the applicable requirements of federal

securities law, including the standard established by Rule 10b-5, promulgated by the Securities and Exchange Commission.

- (iii) Each Contributor shall assist in reviewing and preparing the Official Statement using his or her knowledge of the Town and, if appropriate, by discussing the Official Statement with other members of the Contributor's department, all for the purpose of ensuring the accuracy of the relevant portions of the Official Statement.
- (iv) The Financing Group shall identify all Contributors that participated in preparing the Official Statement in the cover letter it uses to transmit the Official Statement to the Disclosure Working Group (see Exhibit D).

(f) *All-Hands Review.* The Financing Group shall conduct at least one all-hands meeting or conference call to review the Official Statement before transmitting it to the Disclosure Working Group.

(g) *Transmittal to the Disclosure Working Group.* (i) Upon substantial completion of the Official Statement, the Financing Group shall transmit the Official Statement to the Disclosure Working Group.

- (ii) When providing the Official Statement to the Disclosure Working Group, the Financing Group shall (a) confirm that the Official Statement accurately states all material information relating to the Town and that all information relating to the Town has been critically reviewed by an appropriate person, (b) confirm that all information in the Official Statement other than the information described in the previous clause (1) will be addressed by a closing certificate or opinion by an appropriate person, (2) report any significant disclosure issues and concerns to the Disclosure Working Group and (3) confirm that the Official Statement is in substantially final form and is in a form ready to be "deemed final" by the Town Council pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission.

3.2 Review by Disclosure Working Group. Following receipt of the Official Statement from the Financing Group, the Disclosure Working Group shall critically evaluate the Official Statement for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions of the Financing Group and of any Contributor or other person who reviewed or drafted any section of the Official Statement. The Disclosure Working Group may send Official Statements back to the Financing Group for revisions and may instruct the Financing Group to solicit contributions from additional Contributors.

3.3 Approval by Disclosure Working Group. Upon approval of the Official Statement by the Disclosure Working Group, the Disclosure Working Group shall attach to the Official Statement a cover sheet in the form of Exhibit D. Each Official Statement and the attached cover sheet shall be retained in the files of the Disclosure Coordinator for five years (or such period of time as may be required under the laws of the Commonwealth of Virginia).

3.4 Submission of Official Statements to Town Council for Approval.

(a) *Staff Report.* As part of the docketing process, the Disclosure Coordinator shall cause the Town Manager to submit all Official Statements to the Town Council for approval using a staff report that is similar in form and substance to the template attached as Exhibit E.

(b) *Review of Official Statement.* The Town Council shall undertake such review as deemed necessary by the Town Council, following consultation with the Disclosure Coordinator, to fulfill the Town Council's responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the Town's bond counsel and other representatives of the Financing Group to the extent the Disclosure Coordinator considers appropriate.

(c) *Approval of Official Statement by Town Council.* The approval of an Official Statement by the Town Council shall be docketed as a new business matter and shall not be approved as a consent item.

**ARTICLE IV
CONTINUING DISCLOSURE FILINGS**

4.1 Overview. Under the Town's Continuing Disclosure Undertakings, the Town is required each year to file certain financial information and operating data and the Town's audited financial statements. The Town is also required under its continuing disclosure undertakings to file notices of Listed Events with EMMA.

4.2 Annual Reports. The Disclosure Coordinator shall ensure that the preparation of the Town's annual reports shall commence as required under each specific continuing disclosure undertaking. Before any annual report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any such annual report.

4.3 Operating Data. The operating data required to be provided in the annual reports of the Town are listed on Exhibit G. Any operating data required to be included in a continuing disclosure but not included in the annual reports shall be filed as an attachment at the same time as the annual reports.

4.4 Disclosure of Listed Events.

(a) *Notification of the Occurrence of a Listed Event.* Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the Listed Events.

(b) *Determination of Whether to Make a Filing.* The Disclosure Working Group may meet to discuss the event and to determine, in consultation with disclosure counsel to the extent determined by the Disclosure Coordinator, whether a filing is required or is otherwise desirable.

(c) *Event Notices.* If a filing is deemed necessary, the Disclosure Coordinator shall cause to be prepared a notice of the Listed Event (an "**Event Notice**") that relates to the Continuing Disclosure Undertakings and the Disclosure Coordinator shall file the Event Notice as required by the Continuing Disclosure Undertakings.

(d) *Filing of Event Notices Without the Review or Approval of the Disclosure Working Group.* The Disclosure Coordinator may file with the MSRB without prior review and approval of the Disclosure Working Group Disclosure Documents that (i) related to a Listed Event or as a result of the failure to timely file the required annual report or (ii) contain no discretionary content, or both.

ARTICLE V PUBLIC STATEMENTS REGARDING FINANCIAL INFORMATION

5.1 Financial Information. Whenever the Town makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets (including, without limitation, all Event Notices, statements in the audited financial statements, and other financial reports and statements of the Town), the Town (working through its Disclosure Working Group) is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

5.2 Investor Website. The Town shall maintain an investor information section of the Town's website. Disclosure Documents that are relevant to the Town's securities, and no other information, shall be posted to the investor information section of the Town's website following review and approval as set forth in this Section 5.2. The investor information of the Town's website shall include a disclaimer approved by the Town's bond counsel.

5.3 Investor Website Policies. The policies for the Investor Website are set forth on Exhibit H.

ARTICLE VI DOCUMENT RETENTION

6.1 Documents to be retained.

(a) The Disclosure Coordinator, working with the Clerk of the Council, shall retain records demonstrating compliance with these Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("**Deal File**") for each Annual Report.

(b) Each Deal File shall include final versions of Disclosure Documents accompanied by the cover sheet attached as Exhibit D to these Disclosure Procedures; written confirmations, certifications, letters and legal opinions described herein; copies of these Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions; and a written record of the dates of meetings of the Disclosure Working Group.

6.2 Manner of Retention. The Deal File shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Disclosure Document, or the date the Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

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EXHIBIT A

Definitions

"Continuing Disclosure Undertaking" means an agreement pursuant to which the Town has agreed to provide annual information and operating data and notice of specified events and which undertaking is required under Rule 15c2-12.

"Contributors" has the meaning set forth in Section 3.1(b)(iii).

"Disclosure Coordinator" has the meaning set forth in Section 2.2(a).

"Disclosure Group" means the special sub-committee created under these Disclosure Procedures.

"Disclosure Procedures" means these Disclosure Policies and Procedures, as the same may be amended, supplemented and revised from time to time.

"EMMA" means the Electronic Municipal Market Access system.

"Event Notice" has the meaning set forth in Section 4.5(c).

"Financing Group" has the meaning set forth in Section 3.1(a).

"Listed Event" means an event that requires the Town to provide notice of such event's occurrence to EMMA under a particular Continuing Disclosure Undertaking. **For securities issued after December 1, 2010, and variable rate demand obligations issued at any time but which convert from a mode exempted from Rule 15c2-12 to a mode not so exempted on or after December 1, 2010, such related Continuing Disclosure Undertakings should contain Listed Events as listed on Exhibit B.**

"Town" means the Town of Leesburg, VA and those independent agencies, special districts, component units, or other entities created by the Town Council or under the laws of the Town of Leesburg for which the Town Council serves as the governing or legislative body, or for which at least one Town officer serves as a member of the governing or legislative body in his or her official capacity and the Town has agreed in a written undertaking to provide initial or continuing disclosure in connection with the issuance of securities.

"MSRB" means Municipal Securities Rulemaking Board and its successors and assigns.

"Official Statement" means all preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the Town's offerings, together with any supplements.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12, as amended.

EXHIBIT B

List of Disclosure Documents

1. Official Statements.
2. Financial Statements.
3. Filings made by the Town with the MSRB, whether made pursuant to a continuing disclosure undertaking to which the Town is a party or otherwise.
4. Press releases and other information distributed by the Town for public dissemination to the extent that such releases are reasonably expected, in the determination of the Disclosure Working Group, to reach and have a material impact upon investors and the trading markets for municipal securities.
5. Rating agency presentations.
6. Postings on the investor information section of the Town's website.
7. Such portions of the Town's published adopted annual budget as the Disclosure Working Group determines to be appropriate, which shall at a minimum include the executive summary.
8. Any other communications that are reasonably expected, in the determination of the Disclosure Working Group, to reach and have a material impact upon investors and the trading markets for municipal securities.

EXHIBIT C

Listed Events

The Disclosure Coordinator should review this list and monitor news events to determine whether any event has occurred that may require a filing with EMMA.

1. principal and interest payment delinquencies
2. unscheduled draws on debt service reserves reflecting financial difficulty
3. unscheduled draws on credit enhancements reflecting financial difficulty
4. substitution of credit or liquidity providers, or their failure to perform
5. adverse tax opinions or events affecting the tax-exempt status of the security
6. tender offers
7. defeasances
8. rating changes
9. bankruptcy, insolvency, receivership or similar event of the Town
10. failure to provide in a timely manner notice to provide required annual financial information by the date specified in any continuing disclosure undertaking

The following events trigger a requirement to file notice of their occurrence on EMMA within a reasonable period of time after their occurrence, once they are determined to be material by the Disclosure Working Group:

1. non-payment related defaults
2. modifications to the rights of security holders
3. bond calls
4. release, substitution or sale of property securing repayments of the securities
5. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.
6. appointment of a successor or additional trustee or the change of name of a trustee

EXHIBIT D

**Form of Cover Letter for
Transmittal of Official
Statement by Financing Group
to Disclosure Working Group**

Disclosure Working Group:

With respect to the attached [Official Statement/Offering Memorandum/Remarketing Memorandum]:

(i) the Financing Group has performed its responsibilities set forth in Section 3.1 of the Disclosure Policies and Procedures;

(ii) the members of the Financing Group and the Contributors to the [Official Statement/Offering Memorandum/Remarketing Memorandum] are listed below;

(iii) the [Official Statement/Offering Memorandum/Remarketing Memorandum] accurately reports all material information relating to the Town, and all information relating to the Town has been critically reviewed by an appropriate person; and

(iv) all information in the [Official Statement/Offering Memorandum/Remarketing Memorandum], other than the information described in the previous clause (iii), will be addressed by an appropriate person in a closing certificate or opinion and (iv) [Option #1: in our judgment, the [Official Statement/Offering Memorandum/Remarketing Memorandum] is in substantially final form and ready for review by the Disclosure Working Group] [Option #2: the following are significant disclosure issues or concerns identified by the Financing Group].

Director of Finance and Administrative Services

Members of Financing Group:

[to come]

Contributors:

[to come]

EXHIBIT E

Form of Staff Report Transmitting Official Statement by Town Manager to Town Council

To: Members of the Town Council

From: Town Manager

Date: _____

This Staff Report relates to the proposed issuance of _____ (the "Obligations") by the Town. The Town Council is asked to approve issuance of the Obligations and all related documents. The near-final versions of these documents are attached.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Town Council by the Town's Disclosure Working Group. The distribution of the Preliminary Official Statement by the Town is subject to federal securities laws. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Obligations. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Obligations. If the Town Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Obligations, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the Town's compliance with the federal securities laws, has issued guidance as to the duties of the Town Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of a governing body has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Obligations, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the Town Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Section 1. *Purpose of Financing.*

Section 2. *Documents for Approval; Security for the Obligations.*

Section 3. *Risks Relating to Repayment and Tax-Exempt Status of the Obligations.*

Section 4. *Requested Approvals.*

EXHIBIT F

Form of Cover Letter for Transmittal of Financial Statements to Disclosure Working Group

Disclosure Working Group:

The Town's financial statements as of June 30, 20__, along with an opinion of our independent auditor are attached. I believe the financial statements present fairly, in all material respects, the financial position of the Town as of June 30, 20__, in accordance with accounting principles generally accepted in the United States of America and applicable laws and regulations of the State of Virginia. In addition, the financial statements and any required supplementary schedules necessary to complete the Town's continuing disclosure obligations are attached. I believe these documents are true and accurate. These Financial Statements are ready for your review as a member of the Disclosure Working Group pursuant to Section 4.2 of the Disclosure Procedures. You must review these documents in time for them to be filed on EMMA before the required deadline of January 31st.

Director of Finance and Administrative Services

EXHIBIT G

Operating Data Required to be Included in Annual Reports

"Annual Financial Information" with respect to any Fiscal Year of the Town means the following:

(i) the annual financial statements of the Town, which (A) are prepared annually in accordance with accounting principles generally accepted in the United States of America in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Town after the date of the Final Official Statement from changing such principles so as to comply with accounting principles generally accepted in the United States of America as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and

(ii) financial information and operating data with respect to the Town substantially of the type and scope that updates the information and data contained in the Final Official Statement under the captions "Five-Year Summary of Revenues, Expenditures and Fund Balances – General Fund," "Assessed Value of All Taxable Property," "Ten Largest Taxpayers," "Vehicle License Tag and Business License Receipts," "Sales and Use Tax and Meals Tax Receipts," "Tax Rates," "Real Property and Personal Property Tax Levies and Collections," "Statement of General Obligation Debt" and "Legal Debt Margin," provided that the Town is required only to provide such financial information with respect to the immediately preceding fiscal year and shall not be required to restate or revise previously furnished information.

EXHIBIT H

Investor Website Policies

The Investor Website of the Town will contain only:

1. Official Town Council approved Annual Adopted Budget and Capital Improvements Program documents
2. Audited Comprehensive Annual Financial Reports
3. The most recent ratings letters from agencies rating the Town's bonds
4. The disclaimer statement required by section 5.2 of this policy
5. Items filed on EMMA by the Town (other than Official Statements).
6. The Disclosure Coordinator is responsible for monitoring the Investor Relations website and determining after consulting with the Disclosure Working Group whether information should be added or removed.