

CITY OF COLORADO SPRINGS

DISCLOSURE POLICIES

PURPOSE

The purpose of these Disclosure Policies (the “Policies”) is to memorialize and communicate policies in connection with revenue bonds, lease-purchase agreements, and other types of obligations including, but not limited to, limited tax obligation bonds of certain general improvement districts (collectively, the “Obligations”), issued by the City, either for itself or any of its enterprises (the “Enterprises”) other than the Utilities Enterprise (which has adopted its own disclosure policies), or by those General Improvement Districts created by the City Council of City for which the City Council serves as the board of directors for such (the “Districts”) so as to ensure that the City, enterprises and Districts continue to comply with all applicable disclosure obligations and requirements under the federal securities laws.

The Enterprises are owned and operated by the City and each constitutes an “enterprise” under certain Colorado Constitution and City Charter provisions. From time to time, the City issues Obligations on behalf of its Enterprises.

The Districts are public or quasi-municipal subdivisions of the State of Colorado organized under Title 31, Article 25, Part 6, Colorado Revised Statutes (“C.R.S.”) which are created by ordinance passed by the City Council. The Districts may be treated as taxing units of the City, but their bonds and other obligations are limited tax general obligations of the Districts payable solely from dedicated revenues of the Districts and are not obligations of the City or State.

Capitalized terms used herein shall have the meanings ascribed to such terms in Appendix A, unless otherwise defined here.

BACKGROUND

In offering Obligations to the public, and at other times when the City or Districts make certain reports, the City or Districts must comply with the Anti-Fraud Rules. The core requirement of these Anti-Fraud Rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the City and the Districts must not omit material information which would be necessary to provide investors a complete and transparent description of the Obligations and either the City’s or the Districts’ operations and financial condition. In the context of the sale of securities such as Obligations, 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.

When the City issues Obligations on behalf of itself or an Enterprise, or when a District issues Obligations, the two central disclosure documents prepared are typically the preliminary official statement (“POS”) and the final official statement in substantially the form of the POS. Alternately, the disclosure document may be a Limited Offering Memorandum (“LOM”). The Official Statement or LOM generally consists of (i) the introduction (which describes the security for the Obligations, the terms of the Obligations, and other general matters), (ii) the sources and uses of proceeds for the financing, which is generally prepared by the Financial Advisor, (iii) a section on investment considerations relating

to the Obligations, (iv) a section concerning the City, its Enterprise (in the case of enterprise revenue bonds), the District (in the case of District obligations), which includes general information about the City, the Enterprise or District as applicable, its management, financial information, and other information, (v) a section on pending legal proceedings, (vi) a section describing other legal matters, (vii) a section describing the tax status of the Obligations, (viii) a section describing the Financial Advisor, (ix) a section describing the underwriting of the Obligations, including the price at which the Obligations will be purchased, (x) a description of certain relationships of parties to the financing, (xi) if rated, a section describing the credit ratings on the Obligations, and, to the extent applicable, (xii) various other appendices, including the relevant audited financial report, a summary of the bond ordinance, the form of continuing disclosure undertaking, the form of the proposed legal opinion, a description of the DTC book-entry system, and economic and demographic information. Investors use the Official Statement or LOM as the primary resource for making informed investment decisions regarding the Obligations.

DISCLOSURE PROCESS

When the City or a District determines to issue Obligations, the Chief Financial Officer and the Accounting Manager (collectively, the “City Staff Team”) collect the material information and provide the information and drafts of POS or LOM content to Disclosure Counsel. The City Staff Team may, as appropriate, include members from the City Finance Department, the City Planning Department, or a City Enterprise depending upon the purpose for which the obligations are to be issued. In consultation with Disclosure Counsel, sections of the POS or LOM are assigned to team members for further development, reviewed by the Accounting Manager, Chief Financial Officer, and Department Director/Enterprise Director, if applicable. A consolidated draft POS or LOM version is usually retained by Disclosure Counsel in a central electronic file and updates are identified by version date. All updates are distributed to Disclosure Counsel for inclusion in the then-current draft POS or LOM. When the updates are complete, Disclosure Counsel will submit a proposed form of the POS to the Chief Financial Officer and the City Attorney with his or her recommended editorial changes to the language from the subject matter experts. All City/City Enterprise/District participants in the disclosure process are separately responsible for reviewing the entire Official Statement or LOM.

Bond Counsel, Disclosure Counsel, and the City’s Financial Advisor with respect to the Obligations (the “Financing Team”) assist staff in determining the materiality of any particular item, and in the development of language in the POS or LOM. Members of the Financing Team also assist the City in the development of a “big picture” overview of the of the City and/or District’s financial condition. This overview highlights particular areas of concern. Bond Counsel and Disclosure Counsel have confidential, attorney-client relationships with officials and staff of the City.

The Chief Financial Officer, or a member of the Financing Team at the direction thereof, schedules one or more meetings or conference calls of the Financing Team, the Underwriter of the Obligations, and the Underwriter’s counsel to discuss the contents of the POS or LOM. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among City staff and other members of the Financing Team, the Underwriter of the Obligations, and the Underwriter’s counsel to discuss issues which may arise, determine the materiality of particular items, and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS or LOM to potential investors, there is typically a formal meeting or conference call which includes the City Staff Team, other City staff, and staff from the Enterprise, as applicable, involved in the preparation of the POS, members of the Financing Team, the Underwriters, and their counsel, during which the Official Statement is reviewed in its entirety to obtain final comments

and to allow the Underwriters and their counsel to ask questions of the City's and the District's senior officials. Some or all of the members of the City staff involved in the preparation of the POS may attend this formal meeting or conference call. This is referred to as a "due diligence" meeting.

A substantially final form of the POS or LOM is provided to the City Council in advance of approval to afford the City Council an opportunity to review the POS/LOM, ask questions, and make comments. The substantially final form of the POS/LOM is approved by the City Council via ordinance, which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with the City Attorney's office and Disclosure Counsel.

At the time the POS is posted for review by potential investors, senior City or District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final Official Statement to the Underwriter for delivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, if required. If necessary to reflect developments following publication of the POS or Official Statement, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior City and/or District officials execute certificates stating that certain portions of the Official Statement or LOM, as of the date of each Official Statement and as of the date of closing, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement/ LOM in light of the circumstances under which they were made, not misleading. The City Attorney also provides an opinion letter advising the Underwriters that information contained in the section of the Official Statement relating to the City and its operations (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain 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. The City Attorney does not approve to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

CITY/DISTRICT INFORMATION

Information relating to the City and/or District is developed by City personnel under the direction of the Chief Financial Officer and the Accounting Manager, with the assistance of the Financing Team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information for inclusion in the POS or LOM:

- District staff (if any) and City staff members involved in the disclosure process are responsible for being familiar with their responsibilities under federal securities laws as described herein.
- District staff (if any) and City staff involved in the disclosure process should be proactive when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult the City Attorney, Disclosure Counsel, Bond Counsel, or members of the Financing Team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Policies on an ad hoc basis. However, the Policies are not necessarily intended to be a rigid list of requirements, but instead are

intended to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the City and the District should consider revisions to the Policies.

- The process of updating information relating to the City and/or the District from transaction to transaction should not be viewed as being limited to updating tables and numerical information. Everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- The City and the District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the City/City Enterprise/District, its operations and its finances.
- In light of Securities and Exchange Commission pronouncements in 2014, particular care should be given to disclosures in each POS, OS, or LOM with respect to past compliance with Continuing Disclosure Agreement or Certificates (as discussed below under the heading “ANNUAL CONTINUING DISCLOSURE REQUIREMENTS”). If the City has failed to comply with such Continuing Disclosure Agreements in the five years prior to the posting of a POS or LOM, such failure to comply must be described in each such POS or LOM. The City must task personnel or retain outside consultants with responsibility to check the City’s past compliance with its Continuing Disclosure Agreements before the posting of each POS or LOM.

TRAINING

Periodic training for the staff involved in the preparation of the Official Statement is coordinated by the Accounting Manager, the Chief Financial Officer, and Disclosure Counsel. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the City/District Information. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement/LOM and the City/Districts Information, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of Disclosure Counsel concerning disclosure obligations and are encouraged to contact Disclosure Counsel or other members of the Financing Team at any time if they have questions.

ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance of Obligations, the City has entered into a number of Continuing Disclosure Certificates to provide annual reports related to the City’s/District’s financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The City must comply with the specific requirements of each Continuing Disclosure Certificate. The City’s Continuing Disclosure Certificates generally require that the annual reports be filed within 180 days after the end of the City’s/District’s fiscal year, and event notices are generally required to be filed within 10 days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate.

The Chief Financial Officer and the Accounting Manager shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure

Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations.

Approved on April 13, 2015

A handwritten signature in cursive script, reading "Kara Skinner", written over a horizontal line.

Kara Skinner
Chief Financial Officer

APPENDIX A

Defined Terms

“Accounting Manager” shall mean the Accounting Manager of the City.

“Anti-Fraud Rules” shall mean, collectively, Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.

“Bond Counsel” shall mean Kutak Rock LLP, or any other attorney or firm of attorneys representing the City, City Enterprises and/or Districts with a nationally recognized expertise with respect to legal matters relating to municipal bonds and the tax treatment of interest thereon.

“Chief Financial Officer” shall mean the Chief Financial Officer of the City.

“City” shall mean the City of Colorado Springs, Colorado.

“City Attorney” shall mean the City Attorney of the City or any duly appointed and acting deputy thereof.

“City Council” shall mean the City Council of the City.

“Continuing Disclosure Certificates” shall mean contractual agreements to provide annual reports related to the City’s/City Enterprise’s/District’s financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified therein.

“Disclosure Counsel” shall mean Stradling, Yocca, Carlson & Rauth, P.C., or any attorney or firm of attorneys representing the City and/or the District with a nationally recognized expertise with respect to legal matters relating to municipal bonds and disclosure obligations of municipal issuers. With respect to Obligations without separate Disclosure Counsel, Bond Counsel may serve in this capacity.

“District Information” shall mean information concerning a District and its financial condition.

“Financial Advisor” shall mean PFM Group, or any other entity which serves as financial advisor to the City. Such term shall not include firms which act as an Underwriters on a series of Obligations.

“Financing Team” shall mean, collectively, Disclosure Counsel, Bond Counsel, and the Financial Advisor.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum or similar offering document prepared in connection with an offering of Obligations.

“Obligations” shall mean revenue bonds or other obligations or special tax or revenue bonds of a District which the City or District from time to time authorizes to be issued.

“Official Statement” shall mean a final official statement or similar offering document, including but not limited to a Limited Offering Memorandum, prepared in connection with an offering of Obligations and the Preliminary Official Statement for such Obligations.

“Preliminary Official Statement” shall mean the Preliminary Official Statement or similar offering document prepared in connection with an offering of Obligations.

“Risk Manager” shall mean the Risk Manager of the City. “Rule 15c2-12” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934.

“SEC” shall mean the Securities and Exchange Commission.

“Underwriter” shall mean an investment bank which acts as underwriter for one or more series of Obligations. Such term shall not include the Financial Advisor.

