

**CITY OF HOUSTON, TEXAS
FINANCIAL DISCLOSURE PROCEDURES**

Implemented as of this _____ day of _____, 2015.

1 Introduction

It is the stated policy and objective of the City of Houston, Texas (the “City”) to (i) ensure that the City’s financial disclosures for and relating to debt obligations are fair and accurate and comply with all applicable federal and state securities laws, (ii) satisfy in a timely manner all contractual obligations undertaken by the City pursuant to continuing disclosure undertakings or Continuing Disclosure Agreements (“CDAs”) entered into upon the issuance of debt obligations, and (iii) promote best practices relating to financial disclosures by the City. These Financial Disclosure Procedures (the “Disclosure Procedures”) apply to all disclosure in City debt offering, unless specifically exempted by federal securities law.

1.1 Definitions

EMMA shall mean Electronic Municipal Market Access.

MSRB shall mean Municipal Securities Rulemaking Board.

Working Group shall mean the City’s Finance Working Group, as more fully defined in the City’s Financial Policy, and shall consist of the officials (or their designees) appointed to work cooperatively on debt issuances of the City, including the Mayor, Director of Finance, City Controller and staff members from their respective offices. From time to time, this may also include enterprise system department directors and finance directors and City staff that may be designated from time to time.

1.2 General Principles

- Each member of the Working Group is part of the disclosure process and is responsible for raising potential disclosure issues at all times during the process, and as such, should direct any potential issue to the Disclosure Committee (defined and described in Section 3.2 hereof) at any time for review and evaluation.
- The Working Group shall review and provide comments to all participants preparing the offering documents in respect to debt obligations issued by the City.
- The Disclosure Procedures are a “work in progress” and recommendations for improvement shall be solicited and regularly considered. The process of revising and updating disclosure documents should not be viewed as a mechanical insertion of more current numbers or information. Each person involved in the process should consider the need for revisions or updates in the form and content of the sections for which they are responsible at the time of each update.

2 Adoption of Disclosure Procedures and Applicability

The Working Group has adopted these Disclosure Procedures for the preparation, review, revision, updating and approval of any disclosure prior to any filing with EMMA, the preparation of an offering document pertaining to the issuance of debt, or other dissemination to the public or to a rating agency. Audited Financial Statements/Comprehensive Annual Financial Reports (referred to herein as “Audited Financial Statements”) and other filings made with the MSRB, and financial information or operating data are posted on the City’s website (collectively, the “Disclosure Documents”).

3 General Oversight

The City acknowledges that as the issuer of debt obligations, it is responsible for compliance with federal and state securities laws applicable to such obligations as well as its CDAs entered into in connection therewith. The Working Group has general oversight responsibilities for compliance with these Disclosure Procedures.

The City Controller is hereby designated to implement the Disclosure Procedures, except as specifically set forth herein, with consent of and in consultation with the Director of Finance and the Office of City Attorney. The City Controller or his/her designee may, from time to time as may be necessary, review the Disclosure Procedures and provide updates, which shall be adopted by the Working Group. It is hereby understood that the City Controller’s Office shall have the representative responsibility with respect to routine and other filings required by this policy or any continuing disclosure obligations. By adopting these Disclosure Procedures and requiring staff to adhere to these Disclosure Procedures, the City Controller hereby formalizes the City’s process to comply with the City’s disclosure obligations under federal securities law.

3.1 Representatives

In order to ensure compliance with these Disclosure Procedures, each of the following offices within the City must identify one primary person (each a “Representative”) to collect, maintain, monitor, review, recommend updates and revisions to and coordinate information for disclosure documents: Office of City Controller, Finance Department, Office of City Attorney, Houston Airport System, Combined Utility System, Convention and Entertainment Department and any other department that may issue or be involved with the issuance of debt.

3.2 Disclosure Committee

To further ensure compliance with these Disclosure Procedures, the Disclosure Committee shall have general oversight of the entire disclosure process.

3.2.1 Members

The membership of the Disclosure Committee shall consist of the Representatives from the Office of City Controller, Finance Department and Office of City Attorney, and when debt

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obligations relate to a particular enterprise system of the City, representatives from that enterprise system.

3.2.2 Duties

The duties of the Disclosure Committee shall include:

- Holding and participating in one annual meeting and other meetings as required, in person or by phone, in order to fulfill the duties of the Committee. The annual meeting shall take place either thirty (30) days before or after the beginning of any fiscal year (July 1). One goal of the annual meeting shall be to determine whether any additional schedules or tables should be added to the Comprehensive Annual Financial Report based on the then current master list of disclosure requirements, as further described below;
- Maintaining a master list (which may consist of one or more lists) of all disclosure requirements obligating the City, which shall be annually updated and approved at the annual meeting of the Disclosure Committee. In that regard, the Disclosure Committee shall request that one or more of the firms it has engaged to serve as bond counsel identify and prepare all material financial and other information in preparation for the sale of debt and in order to respond to requests for information by rating agencies, regulators, and other municipal market participants;
- Review, in consultation with bond counsel and the financial advisor if appropriate, of all “significant” items referred to the Disclosure Committee as soon as practicable upon receipt and recommendation of appropriate response, if any, in a timely manner as the circumstances require;
- Review of Disclosure Documents or other filings prior to dissemination to EMMA or publication to the market;
- Review of materials to be provided to rating agencies;
- Review of all data referred to the Disclosure Committee by a Representative, or otherwise;
- Maintaining appropriate records of compliance with these Disclosure Procedures and decisions made with respect to issues that have been raised;
- Periodically checking with each Representative, at least on a semi-annual basis, that the Disclosure Procedures are being followed in respect to Offering Documents and Continuing Disclosure; and
- Evaluating the effectiveness of the Disclosure Procedures and making recommendations to the Working Group as to whether revisions or modifications to the Disclosure Procedures are appropriate.

4 Disclosure Process

The following process (the “Disclosure Process”) will be used in connection with reviewing the form and content of the City’s Disclosure Documents as described herein.

4.1 Offering Documents and Ratings Agency Presentations

The following process will be used in connection with reviewing the form and content of the City’s Disclosure Documents:

- The City Controller and Director of Finance will assign or cause the Representative to assign portions of the Disclosure Document to the members of City staff with responsibility for the City’s financial information or operating data described therein for review and comment prior to the dissemination of such materials. Additionally, the City Controller and the Director of Finance shall work with the Representative of any enterprise system to coordinate the updating of financial information or operating data specific to such enterprise system. With consultation from the City’s financial advisor, the City will coordinate delivery of the substantially final offering document to any rating agency rating the debt obligation and to any underwriters underwriting such debt obligations.
- The Office of City Attorney will consult with City staff and any other consultants regarding disclosures contained in the Disclosure Documents related to litigation, ongoing investigations and other general legal matters addressed in the course of his or her representation prior to the dissemination of such materials.
- The City Controller and Director of Finance and members of the Working Group with responsibility for the City’s financial information or operating data described in such documents will be available to respond to diligence questions prior to the dissemination of such materials.
- The City’s Bond Counsel will review and comment on disclosures related to the ordinance authorizing the debt obligations, the description of the continuing disclosure undertaking, and federal income tax considerations prior to the dissemination of such materials.
- With respect to the offering documents, the City Controller and Director of Finance will either approve a substantially final form of offering document and/or delegate the approval of the offering document to another City officer or employee delegated such authority by official action of the City Controller and Director of Finance prior to the dissemination of such materials.

4.2 Compliance with Continuing Disclosure Undertakings

In connection with the issuance of debt obligations, the City has entered into (and in the future may enter into) certain CDAs for the benefit of the holders and beneficial owners of such debt

obligations in accordance with Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”). The City is required to observe these agreements for so long as it remains obligated to advance funds to pay the debt obligations, subject to amendment to or repeal of such undertakings. Under such CDAs, the City is obligated to provide certain financial information and operating data annually, and timely notice of specified material events, to the MSRB via the EMMA System.

Within 30 days of the adoption of these Disclosure Procedures, the Working Group shall direct Bond Counsel to prepare a master schedule of all CDAs and the information required to be filed pursuant to such CDAs, which shall be attached as Exhibit A hereto, as described in Section 4.2.1 below.

4.2.1 Annual Filing Requirements

The City’s annual filing requirements in connection with its current CDAs shall be described in the Master Schedule referenced in section 3.2.2 hereof. It is the City’s intention to update Exhibit A each year upon the adoption of the City’s annual budget and the preparation of its Audited Financial Statements.

In order to ensure full compliance with the annual filing requirements of each of the City’s CDAs, the City may, for each fiscal year ended, produce an “Annual Report on Financial Information and Operating Data” pertaining to all currently outstanding debt, detailing each of the filing requirements described in Exhibit A hereto and providing updated tables reflecting the required information. Such Annual Report on Financial Information and Operating Data shall include as an attachment, incorporated therein for all purposes, a copy of the City’s Audited Financial Statements or Comprehensive Annual Financial Reports (as described in Section 4.2.2 below) for such fiscal year. The Report shall be prepared within 6 months of the end of each such fiscal year, or such shorter time as required by any CDA, unless such information is otherwise unavailable as described in Section 4.2.2 below, in which case, the procedures described in such Section shall be followed. The City will file the Annual Report on Financial Information and Operating Data with the MSRB via the EMMA System.

4.2.2 Audited Financial Statements or Comprehensive Annual Financial Reports

At the direction of the Office of the City Controller, the City’s outside auditors will prepare the annual Audited Financial Statements in time to allow the City to meet its continuing disclosure obligations described in Exhibit A.

If the City’s annual Audited Financial Statements are not available in sufficient time to meet its obligations described in Exhibit A, the Office of the City Controller will arrange for the filing of unaudited financial statements by the time period specified in Exhibit A, if such filing is required, and will file an “Event Notice” stating that the audited financial statements are not yet available and will not be filed by the deadline. The Event Notice should indicate the approximate timeframe for when the Audited Financial Statements will be provided.

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The Office of City Controller will assign portions of the City's annual Audited Financial Statements to the members of City staff with responsibility for the City's financial information or operating data described therein for review and comment prior to the dissemination of such materials.

4.2.3 Event Notices

The City is also obligated to provide, in a timely manner within the time required by the City's CDAs, notices of certain events to the MSRB through EMMA. The events giving rise to such notices are described in Exhibit B.

The Working Group is responsible for reviewing the portions of the City's offering documents related to their areas of responsibility and will have access to these Disclosure Procedures by which they are instructed to notify the Disclosure Committee if they become aware of an event requiring the filing of notice.

The City Controller and Director of Finance will seek the review by members of City staff with responsibility for the City's financial information or operating data described in any such notices prior to the dissemination of such notices.

The City Controller will work with the City's Financial Advisor to identify resources available to assist the City in identifying those events requiring notice filings.

The City Controller is responsible for posting the event filings to EMMA within a timely manner, not to exceed ten business days after the occurrence of the event.

4.2.4 Financial and Operating Information on the City's Website

If the City is posting financial and operating information to the City's website, the City Controller will assign portions of such information to the members of City staff or consultants with responsibility for the City's financial information or operating data described therein for review and comment prior to posting such materials unless such materials have previously been reviewed in accordance with these Disclosure Procedures.

5 Certifications

Before the printing of any Disclosure Document as described herein, the City Controller shall obtain written certifications, by e-mail or otherwise, from the Disclosure Committee. Such certifications are for internal purposes only and are not intended to be relied upon by any underwriter or other member of any external financing team.

6 Document Retention

6.1 Official Statements

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The City shall retain in a central depository, for a period of five years from the date of delivery of the securities referenced in an official statement of the City, the following materials:

- The printed or electronic copy of the preliminary and final official statement;
- The deemed final certification provided by a City official to the underwriter of the securities in accordance with paragraph (b)(1) of Rule 15c2-12;
- The executed copies of the certifications referenced in section 5 provided by City officials in connection with the referenced securities shall be maintained by disclosure counsel for the applicable debt issuance;
- The information and related sources referenced in the materials subject to certification;
- The bond purchase agreement;
- The CDA (which shall be retained so long as such undertaking is in effect); and
- Any written certification or opinions executed by a City official relating to disclosure matters, delivered at the time of delivery of the related securities.

6.2 Disclosure Documents other than Official Statements

The City shall retain in a central depository, for a period of five years from the date the respective Disclosure Document is published, posted, or otherwise made publicly available:

- The final version of the Disclosure Document; and
- All requests seeking confirmation of the accuracy of and certifications relating to information in the Disclosure Document and the information and related sources referenced in these materials.

7 Training

Annual training shall be conducted regarding disclosure obligations for the Working Group and shall be conducted by any firm that serves as disclosure counsel to the City. It is intended that this training shall assist these staff members in identifying significant items that may need to be included in disclosure documents.

The training sessions shall include:

- The City's disclosure obligations under applicable federal securities laws and the responsibilities and potential liabilities of City officials and employees regarding such obligations;

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- The contexts in which disclosures occur that could potentially result in federal securities law liability;
- An overview of the principal SEC enforcement actions against municipal issuers; and
- Implementation of the Disclosure Process, including specific training tailored to various persons' roles and responsibilities

A copy of these Disclosure Procedures shall be distributed annually to all individuals in the City's staff with responsibility for any part of the disclosure process and any updates to these Disclosure Procedures shall be distributed to such group upon issuance.

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EXHIBIT A
ANNUAL FILING REQUIREMENTS UNDER CONTINUING DISCLOSURE UNDERTAKINGS

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**EXHIBIT B
EVENT NOTICES**

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