

CITY OF CHULA VISTA
ADMINISTRATIVE DISCLOSURE PROCEDURES

PURPOSE

In furtherance of the City's Debt Policy, the purpose of these Disclosure Procedures (the "Procedures") is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by the City of Chula Vista (the "City") so as to ensure that the City continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

BACKGROUND

The City of Chula Vista from time to time issues certificates of participation, pension obligation bonds, revenue bonds, notes or other obligations, (collectively, "Obligations") in order to fund or refund capital investments, other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the City makes certain reports, the City must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to 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.)

The core requirement of these 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 must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations 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.

When the City issues Obligations, the two central disclosure documents which are prepared are a preliminary official statement ("POS") and a final official statement ("OS", and collectively with the POS, "Official Statement"). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) Appendix A, which provides information on the City's financial condition as well as certain economic and demographic information concerning the City and (iii) various other appendices, including the City's audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the City's Obligations.

ENGAGEMENT OF OUTSIDE DISCLOSURE COUNSEL

The City engages outside legal counsel with expertise in securities laws for advice with respect to the City's disclosure obligations and requirements under the federal securities laws ("Disclosure Counsel"). Disclosure Counsel assists the City in preparing the Official Statement (including Appendix A), and reviews all new data and updates to the Official Statement. Throughout the process of receiving and incorporating material, Disclosure Counsel provides advice as to standards of materiality and other securities law issues. 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 Official Statement for each City Obligation. The letter advises the City and the Obligations underwriters 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 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

DISCLOSURE PROCESS

When the City determines to issue Obligations, the Finance Department staff requests the involved departments to commence preparation of the portions of the Official Statement (including particularly Appendix A) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the City Manager, Finance Department and City Attorney staff are separately responsible for reviewing and preparing or updating certain portions of Appendix A which are within their particular area of knowledge. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement. Disclosure Counsel assists the City Manager and staff in determining the materiality of any particular item, and in the development of specific language in Appendix A. Disclosure Counsel also assists the City in the development of a “big picture” overview of the City’s financial condition, included in the forepart of the Official Statement. This overview highlights particular areas of concern. The Finance Director/Treasurer schedules one or more meetings or conference calls of the financing team working group (which includes City officials, the City’s financial advisor, Disclosure Counsel, Bond Counsel, the underwriter of the Obligations, and their counsel), and new drafts of the forepart of the Official Statement and Appendix A are circulated and discussed. During this part of the process, there is substantial contact among City staff, other members of the financing team and Disclosure 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 to potential investors, there is a formal meeting which includes City officials involved in the preparation of the POS and the underwriters and their counsel, during which the Official Statement is reviewed in its entirety, page by page or section by section, to obtain final comments and to allow the underwriters to ask questions of the City’s senior officials. This is referred to as a “due diligence” meeting.

Between the POS and final OS, any new changes and developments will have been incorporated into Appendix A if required by the entity responsible for the applicable portion of the Appendix A. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior City officials execute a certificate stating that the Official Statement, as of the date of each OS 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 Official Statement in light of the circumstances under which they were made, not misleading.

APPENDIX A

The information contained in Appendix A is primarily developed by personnel at the City Manager's Office, Finance Department and City Attorney's Office. In certain circumstances, including when City Obligations are secured by particular revenues (such as revenues from Development Impact Fees), additional officials will be involved, as necessary. In addition, the City's financial adviser participates throughout the process of preparing the Official Statement and developing the structure of the financing. The following principles govern the work of the respective staffs that contribute information to Appendix A:

- City staff involved in the disclosure process are responsible for being familiar with federal securities laws as they relate to disclosure.
- City staff involved in the disclosure process should be instructed to err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult with Disclosure Counsel 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 Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the City should consider revisions to the Procedures.
- The process of updating Appendix A from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of Appendix A at the time of each update, 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 must make sure that the particular officials involved in the disclosure process are of 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.

TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including Appendix A) is coordinated by the Director of Finance/Treasurer and City Attorney's Offices, with the assistance of Disclosure Counsel. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in Appendix A. 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 and Appendix A, 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 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 contractual agreements ("Continuing Disclosure Certificates") to provide annual reports related to its 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 Agreement. The City's Continuing Disclosure Certificates require that the annual reports be filed between 210 and 270 days (depending on the issuance) after the end of the City's fiscal year, and event notices are required to be filed within 10 days of their occurrence.

Specific events which require "material event" notices generally consist of the following:

(a) Any of the following events with respect to the Obligations (in a timely manner not more than ten (10) business days after the event):

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

(b) Any of the following events with respect to the particular Obligations, if material:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the particular Obligations or other material events affecting the tax status of the Series 2013 Bonds;
2. Modifications to rights of holders of the particular Obligations;
3. Optional, unscheduled or contingent calls of the particular Obligations;
4. Release, substitution, or sale of property securing repayment of the particular Obligations;
5. Non-payment related defaults;
6. 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

The Finance Director/Treasurer 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 (including changes resulting from changes in the credit ratings of insurers of particular Obligations).