

RESOLUTION NO. 2016-2017-16

**A RESOLUTION OF THE BOARD OF EDUCATION OF THE
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
APPROVING DISCLOSURE PROCEDURES**

WHEREAS, the South Pasadena Unified School District (the “District”) is a school district organized and existing under the laws of the State of California;

WHEREAS, the District periodically sells securities of various types (the “Obligations”) in order to finance capital improvements or for cash flow purposes;

WHEREAS, the Board of Education and other District officials understand that in offering the Obligations to the public, the District must comply with the “anti-fraud rules” of federal securities laws under Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934 (the “1934 Act”), and the regulations adopted by the Securities and Exchange Commission under those laws, particularly “Rule 10b-5” adopted under the 1934 Act.

WHEREAS, in connection with the issuance of certain of its Obligations the District previously has executed, and as to future issuances of Obligations will execute, continuing disclosure certificates (the “Certificates”) in order to assist underwriters purchasing the Obligations in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the 1934 Act;

WHEREAS, the Certificates require the District, or its dissemination agent, to file annual reports and notices of certain enumerated events;

WHEREAS, in connection with its past issuance of Obligations and performance of its covenants in the Certificates, the District has put in place various policies, practices and procedures in an effort to ensure compliance with the anti-fraud rules of federal securities laws and its obligations under the Certificates;

WHEREAS, the District now desires to memorialize those policies, practices and procedures, in writing, and to add certain additional policies and procedures in the Disclosure Procedures set forth in Exhibit A hereto (the “Disclosure Procedures”), to ensure ongoing compliance by District personnel with the District’s responsibilities under federal securities laws;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF EDUCATION OF THE SOUTH PASADENA UNIFIED SCHOOL DISTRICT, LOS ANGELES COUNTY, CALIFORNIA, AS FOLLOWS:

SECTION 1. Each of the foregoing recitals is true and correct.

SECTION 2. The Disclosure Procedures are hereby approved. The Superintendent and other officers of the District are hereby authorized and directed to take all actions necessary to comply with the Disclosure Procedures.

SECTION 3. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 13th day of December, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

President, Board of Education
South Pasadena Unified School District

Attest:

Secretary to the Board of Education
South Pasadena Unified School District

SECRETARY'S CERTIFICATE

I, Dr. Geoff Yantz, Secretary to the Board of Education of the South Pasadena Unified School District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the Board of Education of said District duly and legally held at the regular meeting place thereof on December 13, 2016, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: December 13, 2016

Secretary

EXHIBIT A

SOUTH PASADENA UNIFIED SCHOOL DISTRICT DISCLOSURE PROCEDURES

PURPOSE

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize various procedures to be followed in connection with the public offering of obligations, including notes, bonds and certificates of participation, by the South Pasadena Unified School District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

BACKGROUND

The District from time to time issues general obligation bonds, notes or other obligations (collectively, “Obligations”) in order to finance or refinance capital improvements, other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the District makes certain reports, the District 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 (the “SEC”) 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 District must not omit material information which would be necessary to provide to investors a complete and accurate description of the Obligations and the District’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 District offers Obligations for sale to the public, 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, the “Official Statement”). The Official Statement generally consists of (i) a section describing the specifics of the Obligations (including maturity dates, interest rates, redemption provisions, the specific type of financing, the security and source of repayment for the Obligations and other matters particular to the financing), (ii) a section which provides information on the District, including its financial condition (both historical and budgetary) as well as certain operating information (which may be ad valorem tax collections, the State funding process, enrollment, employee counts, material litigation and other post-employment benefit and pension plan descriptions, depending on the type of Obligations being issued) (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion relating to the Obligations, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding a purchase of the Obligations.

DISCLOSURE PROCESS

When the District determines to issue Obligations, the District's Superintendent and/or Director of Fiscal Services (the "Business Manager") has a discussion with Bond Counsel, Disclosure Counsel and the lead underwriter and any District financial advisor to determine the type of Obligations to be sold and the information required to be gathered by the District for inclusion in the Official Statement. The Business Manager will involve other members of the District staff who are knowledgeable with District operations to assist in the review and updating of the District Section. The Business Manager then requests the relevant District employees to gather the information necessary for the preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. Any major financial or operational changes since the date of the last issue of Obligations should be analyzed and included in the District Section if material. The Business Manager is responsible for reviewing and preparing or updating the portions of the District Section which are within his or her particular area of knowledge. Once the Official Statement has been substantially updated, the entire Official Statement is shared with the Superintendent for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and Disclosure Counsel, assist staff in determining the materiality of any particular item, and in the development of specific language to be included in the District Section. Members of the financing team also assist the District in the development of a "big picture" overview of the District's financial condition, to be included in the District Section. This overview highlights the District's current financial condition and any developing trends in District budgets or operations, including potential areas of financial stress or concern. Bond Counsel and Disclosure Counsel have a confidential, attorney-client relationship with officials and staff of the District, so all matters may initially be shared confidentially before decisions are reached as to required disclosures.

The Superintendent, Business Manager, or a member of the financing team at the direction of either of such officials, schedules one or more meetings or conference calls of the financing team (which includes District officials, Bond Counsel, Disclosure Counsel, the underwriter of the Obligations and any underwriter's counsel, and any District financial advisor), and new drafts of the forepart of the Official Statement and the District Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is contact among District staff and other members of the financing team 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 typically a formal conference call which includes District officials involved in the preparation of the POS, members of the financing team, including Bond Counsel, Disclosure Counsel, the underwriter or underwriters and any underwriter's counsel, during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriter or underwriters to ask questions of the District's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS is provided to the District's Board of Education in advance of approval to afford the Board of Education an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board of

Education which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with the District's Bond Counsel and Disclosure Counsel.

At the time the POS is posted for review by potential investors, a senior District official executes a certificate deeming the POS complete (except for certain pricing terms) as required by Securities and Exchange Commission Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any material changes and developments will be incorporated into the POS, including particularly the District Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published if needed to ensure that the POS or OS, as applicable, does not contain any material misstatement of facts or omit to state a material fact.

In connection with the closing of the transaction, a senior District official executes a certificate stating that the OS (excluding certain limited portions), as of its date did not, 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 OS in light of the circumstances under which they were made, not misleading.

DISTRICT SECTION

The information contained in the District Section is developed by personnel under the direction of the Business 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 staff members that contribute information to the District Section:

- District staff involved in the disclosure process is responsible for being familiar with the District's responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult the District's Bond Counsel, Disclosure Counsel, other legal counsel retained by the District and other 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 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 District should consider revisions to the Procedures.
- The process of updating the District Section 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 the District Section 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 District must make sure to involve staff with sufficient seniority and knowledge to ensure that, collectively, they are in possession of all material information relating to the District, its operations and its finances.

TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) is coordinated by the finance team and the District's Superintendent. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. 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 the District Section, a description of relevant 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 finance team members, including Bond Counsel and Disclosure Counsel, concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance of Obligations, the District will execute a certificate ("Continuing Disclosure Certificate") 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 Certificate. Each new offering of Obligations to the public will require an additional Continuing Disclosure Certificate. The District must comply with the specific requirements of each Continuing Disclosure Certificate.

Additionally, each Official Statement must contain disclosure as to whether, during the previous five years, the District has complied in all material respects with its Continuing Disclosure Certificate. If the District has not complied with its previous undertakings in all material respects within the last five years, then the Official Statement must describe the instances in which the District has not complied. Prior to finalizing a POS, the District staff should take steps to review the status of compliance and discuss with Disclosure Counsel, the underwriter and any underwriter's counsel what steps it has taken to review the District's compliance and whether any noncompliance has been noted. If noncompliance is found, steps should be taken to disclose in the POS the instances of material noncompliance within the last five years and cure the noncompliance before the issuance of the Obligations.

The District's Continuing Disclosure Certificate will require that the annual report for a fiscal year be filed by a date specified therein not later than 270 days following the end of such fiscal year, and event notices are generally required to be filed within 10 business days of their occurrence. Specific events which require event notices are set forth in each Continuing Disclosure Certificate.

The Business Manager is the official responsible for ensuring compliance by the District with its Continuing Disclosure Certificate, and will assign trained District personnel to oversee the preparation of the annual reports and will determine whether to retain the services of one or more consultants to assist in the preparation of the annual reports and event notices. The Business Manager will either assign trained District personnel to file the annual reports and event notices with the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board (emma.msrb.org) or will engage the services of one or more dissemination agents to file the

annual reports and material event notices required pursuant to the Continuing Disclosure Certificate. Third party dissemination agents shall be contractually obligated to provide written confirmation to the District of the date of filing of the annual reports with EMMA. 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) and to timely filing of defeasance notices.