

## **RESOLUTION NO. 20-05**

### **A RESOLUTION OF THE BOARD OF EDUCATION OF THE LAGUNA BEACH UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF LAGUNA BEACH UNIFIED SCHOOL DISTRICT (ORANGE COUNTY, CALIFORNIA) 2020 GENERAL OBLIGATION REFUNDING BONDS, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 AND APPROVING CERTAIN OTHER MATTERS RELATED THERETO**

WHEREAS, a duly called election was held in the Laguna Beach Unified School District, Orange County, State of California (hereinafter referred to as the "District"), on June 5, 2001 and thereafter canvassed pursuant to law; and

WHEREAS, at such election there was submitted to and approved by the requisite two-thirds vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum principal amount of \$39,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the "Authorization"); and

WHEREAS, pursuant to the Authorization, the Board of Supervisors of the County of Orange (the "County") issued the \$22,300,000 Laguna Beach Unified School District (Orange County, California) General Obligation Bonds, Election of 2001 Series 2001 (the "Series 2001 Bonds") and \$16,700,000 Laguna Beach Unified School District (Orange County, California) General Obligation Bonds, Election of 2001, Series 2003 (the "Series 2003 Bonds") on behalf of the District; and

WHEREAS, on August 4, 2010, the District issued its Laguna Beach Unified School District (Orange County, California) 2010 General Obligation Refunding Bonds (Election of 2001) (the "2010 Bonds") for the purpose of refunding the Series 2001 Bonds and the Series 2003 Bonds; and

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the District is authorized to issue refunding bonds to refund all or a portion of the outstanding 2010 Bonds; and

WHEREAS, the Board of Education of the District has determined that issuing refunding bonds to refund all or a portion of the 2010 Bonds as described herein is prudent management of the fiscal affairs of the District; and

WHEREAS, in accordance with Government Code Section 5852.1, there has been presented to this Board of Education and disclosed to the public certain good faith estimates provided to the District by its municipal advisor with respect to the Refunding Bonds, as set forth in Exhibit A hereto, and the requirements of Section 5852.1 have been satisfied; and

WHEREAS, Section 8855(i)(1) of the California Government Code requires that local governments adopt local debt policies concerning the use of debt and in order to comply with such requirements, the District desires to adopt the debt management policies attached hereto as Exhibit B (the "Debt Management Policies"); and

WHEREAS, when offering the Refunding Bonds and other securities 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; and

WHEREAS, to ensure ongoing compliance by District personnel with the District's responsibilities under such federal securities laws, the District desires to memorialize certain policies, practices and procedures, in writing, as set forth in the disclosure procedures attached hereto as Exhibit C (the "Disclosure Procedures"); and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation refunding bonds of the District, and the indebtedness of the District, including the proposed issue of refunding bonds, is within all limits prescribed by law;

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE LAGUNA BEACH UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

**Section 1. Purpose of Bonds.** To refund all or a portion of the outstanding 2010 Bonds and to pay all necessary legal, financial, and contingent costs in connection therewith, the District authorizes the issuance of its 2020 General Obligation Refunding Bonds (the "Refunding Bonds"), in an amount not to exceed \$25,000,000. The designated costs of issuing the Refunding Bonds authorized to be paid from the proceeds of the Refunding Bonds are all of the authorized costs of issuance set forth in Section 53550(e) and Section 53587 of the Government Code.

**Section 2. Paying Agent.** The Board (as defined herein) hereby appoints the Paying Agent (as defined herein) to act as paying agent, bond registrar, authentication agent and transfer agent for the Refunding Bonds on behalf of the District. The Board hereby authorizes the payment of the reasonable fees and expenses of the Paying Agent, as they shall become due and payable. The fees and expenses of the Paying Agent which are not paid as a cost of issuance of the Refunding Bonds may be paid in each year from *ad valorem* property taxes levied and collected for the payment thereof, insofar as permitted by law, including specifically Section 15232 of the Education Code.

**Section 3. Terms and Conditions of Sale.** Pursuant to the authority in the Act, the Refunding Bonds shall be offered for sale at a competitive sale in accordance with the terms of and as described in the Official Notice of Terms of Sale for the Refunding Bonds (the "Notice of Sale"), which shall be delivered to prospective bidders substantially in the form on file with the Clerk of the Board together with any changes therein or additions thereto approved by the Superintendent, the Assistant Superintendent, Business Services of the District, and such officers or employees of the District as the Superintendent may designate (each of the foregoing an "Authorized Officer") upon consultation with Fieldman, Rolapp & Associates, Inc., the District's Municipal Advisor (the "Municipal Advisor"). The Refunding Bonds shall be awarded by an Authorized Officer to the responsible bidder (the "Purchaser") whose bid produces the lowest true interest cost for the Refunding Bonds determined by the Municipal Advisor in accordance with the Notice of Sale; provided, however, that the Refunding Bonds shall only be issued if the Municipal Advisor determines that the net present value of the debt service savings resulting from the issuance of the Refunding Bonds is equal to or greater than five percent (5%) of the principal amount of the Refunded Bonds and the last maturity date of the Refunding Bonds shall be not later than the date of the last maturity of the Refunded Bonds. Notwithstanding the foregoing, the Superintendent or the Assistant Superintendent, Business Services may reject all bids should such

officer determine that accepting the lowest bid is not in the best interest of the District. In such event, the District may proceed with the sale of the Refunding Bonds in accordance with the Act on a negotiated basis subject to the provisions of Section 5 below, or through a private placement to a financial institution selected by the Superintendent or the Assistant Superintendent, Business Services of the District in consultation with the Municipal Advisor.

The Board estimates that the costs associated with the issuance of the Refunding Bonds, excluding compensation to the Purchaser of the Refunding Bonds at the competitive sale or the Underwriter (defined below) at a negotiated sale, will equal approximately 1.25% of the principal amount of the Refunding Bonds.

**Section 4. Notice of Sale.** Each Authorized Officer, acting alone, is hereby authorized and directed to cause to be published a notice inviting sealed bids pursuant to the terms of the Notice of Sale in *The Bond Buyer* once at least ten (10) days prior to the date of opening bids stated in such notice in satisfaction of the requirements of Government Code Section 53692 and the Board hereby finds and determines that *The Bond Buyer* is a financial publication satisfying the requirements of Government Code Section 53692. In addition, each Authorized Officer, acting alone, is authorized to publish an additional notice and in a newspaper of general circulation circulated within the boundaries of the District if determined by such Authorized Officer to be beneficial to the sale of the Refunding Bonds.

**Section 5. Approval of Bond Purchase Contract.** The form of the Bond Purchase Contract (the "Purchase Contract") by and between the District and an underwriter selected as described below (the "Underwriter"), substantially in the form on file with the Clerk of the Board is hereby approved and should the District elect to proceed with a negotiated sale for the Refunding Bonds as described in Section 3 above, each Authorized Officer, acting alone, is hereby authorized to select the Underwriter for the Refunding Bonds following consultation with the Municipal Advisor and to execute and deliver such Purchase Contract, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the Purchase Contract may approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriter's discount, excluding original issue discount or premium on the Refunding Bonds, shall not exceed 2.0% of the aggregate of principal amount of Refunding Bonds issued, the Refunding Bonds shall only be issued if the Municipal Advisor determines that the net present value of the debt service savings resulting from the issuance of the Refunding Bonds is equal to or greater than five percent (5%) of the principal amount of the Refunded Bonds and the last maturity date of the Refunding Bonds shall be not later than the date of the last maturity of the Refunded Bonds. Each Authorized Officer is further authorized to determine the principal amount of the Refunding Bonds to be sold pursuant to the Purchase Contract, up to \$25,000,000, and to enter into and execute the Purchase Contract with the Underwriter, if the conditions set forth in this Section 5 are satisfied.

The terms of the Purchase Contract shall recite the aggregate principal amount of the Refunding Bonds being sold thereunder, and shall recite the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity, the initial and semiannual interest payment dates, and any terms of optional and mandatory sinking fund redemption thereof.

**Section 6. Certain Definitions.** As used in this Resolution, the terms set forth below shall have the meanings ascribed to them, unless otherwise provided in the Purchase Contract:

(a) "Act" means Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

- (b) *"Authorized Investments"* means the County Investment Pool, the County Educational Investment Pool (or other investment pools of the County into which the District may lawfully invest its funds), any investment authorized pursuant to Government Code Sections 16429.1, 53601 and 53635, or in guaranteed investment contracts, float contracts or other investment products (provided that such contracts comply with the requirements of applicable State law and with Section 148 of the Code, and with the requirements of the Bond Insurer, if any, and as shall be applicable).
- (c) *"Board"* means the Board of Education of the District.
- (d) *"Bond Insurer"* means any insurance company which issues a municipal bond insurance policy insuring the payment of the Principal Amount of and interest on the Refunding Bonds.
- (e) *"Bond Payment Date"* means February 1 and August 1 of each year, or such other dates as set forth in the Notice of Sale or the Purchase Contract, as applicable, commencing on the date set forth in the Notice of Sale or the Purchase Contract, as applicable, with respect to the interest on the Refunding Bonds and, with respect to the principal payments on the Refunding Bonds, as set forth in the Notice of Sale or the Purchase Contract, as applicable.
- (f) *"Bond Register"* means the listing of names and addresses of the current registered owners of the Refunding Bonds, as maintained by the Paying Agent in accordance with Section 9 hereof.
- (g) *"Business Day"* means a day which is not a Saturday, Sunday or a day on which banking institutions in the State or the State of New York and the New York Stock Exchange are authorized or required to be closed.
- (h) *"Code"* means the Internal Revenue Code of 1986, as amended.
- (i) *"Continuing Disclosure Certificate"* means that certain Continuing Disclosure Certificate executed by the District and dated the Date of Issuance and delivery of the Refunding Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.
- (j) *"Costs of Issuance"* means all of the costs of issuing the Refunding Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Resolution, the Refunding Bonds and the Official Statement pertaining to the Refunding Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; financial advisory fees; underwriter's fees; rating agency fees; auditor's fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing; the initial fees and expenses of the Paying Agent; fees for credit enhancement relating to the Refunding Bonds; and other fees and expenses incurred in connection with the issuance of the Refunding Bonds, to the extent such fees and expenses are approved by the District.
- (k) *"County"* means the County of Orange, California.
- (l) *"Date of Issuance"* means the date on which the Refunding Bonds are issued by the District.
- (m) *"Depository"* means the securities depository acting as Depository pursuant to Section 7(c) hereof.

(n) “*District*” means the Laguna Beach Unified School District located in the County of Orange, California.

(o) “*DTC*” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Refunding Bonds.

(p) “*Escrow Agreement*” means the Escrow Agreement relating to the Refunded Bonds by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank, or any successor escrow bank thereunder, and any supplements or amendments thereto.

(q) “*Escrow Bank*” means The Bank of New York Mellon Trust Company, N.A., or such other institution appointed by the District as set forth in a certificate of an Authorized Officer.

(r) “*Escrow Fund*” means the Escrow Fund established under the Escrow Agreement.

(s) “*Government Obligations*” shall have the meaning set forth in Section 20 hereof.

(t) “*Information Services*” means the Electronic Municipal Market Access System operated by the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more other services providing information with respect to called bonds as the District or the Paying Agent may select.

(u) “*Nominee*” means the nominee of the Depository, or any Substitute Depository, as determined from time to time pursuant to Section 7(c) hereof.

(v) “*Outstanding*,” when used with reference to the Refunding Bonds, means, as of any date, Refunding Bonds theretofore issued or thereupon being issued under this Resolution except:

(i) Refunding Bonds canceled at or prior to such date;

(ii) Refunding Bonds in lieu of or in substitution for which other refunding bonds shall have been delivered pursuant to this Resolution; or

(iii) Refunding Bonds for the payment or redemption of which funds or Government Obligations in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Refunding Bonds), in accordance with Section 20 of this Resolution.

(w) “*Owner*” means the registered owner of a Refunding Bond as set forth on the Bond Register.

(x) “*Participants*” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

(y) *"Paying Agent"* means The Bank of New York Mellon Trust Company, N.A., as authenticating agent, bond registrar, transfer agent and paying agent for the Refunding Bonds on behalf of the District, and any successor thereto appointed by the District.

(z) *"Principal"* or *"Principal Amount"* means, with respect to any Refunding Bond, the principal or principal amount thereof or mandatory sinking fund payment due thereon.

(aa) *"Purchase Contract"* means, if the Refunding Bonds are sold at a negotiated sale in accordance with Section 5 above, the Bond Purchase Contract by and between the District and the Underwriter relating to the Refunding Bonds.

(bb) *"Purchaser"* means, if the Bonds are sold at a competitive sale in accordance with Section 3 above, the entity purchasing the Bonds at the competitive sale.

(cc) *"Record Date"* means the close of business on the fifteenth day of the month preceding each Bond Payment Date.

(dd) *"Refunded Bonds"* means the outstanding 2010 Bonds designated in the Escrow Agreement as the 2010 Bonds to be refunded with proceeds of the Refunding Bonds.

(ee) *"Refunding Bonds"* means the 2020 General Obligation Refunding Bonds, issued pursuant to the terms of this Resolution.

(ff) *"Securities Depositories"* means The Depository Trust Company, 55 Water Street, New York, New York 10041, Attn: Redemption Area, Call Notification Department, Telephone: (212) 855-3274, Facsimile transmission: (212) 855-7232, (212) 855-7233, or one or more other securities depositories designated by the District from time to time and whose business is to perform the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of the Securities Exchange Act of 1934, and who is registered as a clearing agency under Section 17A of the Act.

(gg) *"Tax Certificate"* means the certificate by that name executed and delivered by the District on the date of issuance of the Refunding Bonds.

(hh) *"Term Bonds"* means those Refunding Bonds, if any, for which mandatory sinking fund redemption dates have been established in accordance with the Notice of Sale or the Purchase Contract, as applicable.

(ii) *"Treasurer"* means the Orange County Treasurer-Tax Collector or any authorized delegate thereof.

(jj) *"2010 Bonds"* shall have the meaning set forth in the recitals hereto.

(kk) *"Underwriter"* shall have the meaning set forth in Section 5 above.

## **Section 7. Terms of the Refunding Bonds.**

(a) Denomination, Interest, Dated Dates. The Refunding Bonds shall be issued in the denominations of \$5,000 Principal Amount or any integral multiple thereof.

Each Refunding Bond shall be dated its Date of Issuance (or such other date designated in the Notice of Sale or the Purchase Contract, as applicable) and shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from its Date of Issuance (or such other date designated in the Notice of Sale or the Purchase Contract, as applicable); provided, however, that, if at the time of registration of any Refunding Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Bond Payment Date to which interest has previously been paid or made available for payment.

The Refunding Bonds shall be issued in fully registered form and shall mature in the years, be issued in the amounts and bear interest at the rates set forth in the Official Statement. Interest on the Refunding Bonds shall be computed on the basis of a 360 day year consisting of twelve 30 day months.

Principal and interest on the Refunding Bonds shall be paid in accordance with Section 10 below.

(b) Redemption.

(i) Terms of Redemption. The Refunding Bonds shall be subject to redemption prior to maturity as provided in the Notice of Sale or the Purchase Contract, as applicable.

(ii) Selection of Refunding Bonds for Redemption. Whenever provision is made in accordance with this Resolution for the optional redemption of Refunding Bonds and less than all Outstanding Refunding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select one or more maturities of Refunding Bonds for optional redemption in accordance with such written instructions. Within a maturity, the Paying Agent shall select Refunding Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

In the event that a portion of any Term Bond is optionally redeemed pursuant to Section 7(b)(i) hereof, the remaining sinking fund payments shall be reduced proportionately, as nearly as practicable, in integral multiples of \$5,000, in respect to the portion of such Term Bond optionally redeemed.

(iii) Notice of Redemption. When redemption is authorized or required pursuant to Section 7(b)(i) hereof, the Paying Agent shall give notice (a "Redemption Notice") of the redemption of the Refunding Bonds at least 30 but not more than 60 days prior to the redemption date (a) so long as the Refunding Bonds are registered in the name of the Nominee, in such manner as complies with the requirements of the Depository, and (b) if the Refunding Bonds are no longer held in book-entry form, by first class mail, postage prepaid to each Owner of the Refunding Bonds at the addresses appearing on the Bond Register. In the case of any optional redemption, the Paying Agent shall send a Redemption Notice only following receipt of written instructions from the District to send such notice and specifying the maturity or maturities to be redeemed. Each Redemption Notice shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying

Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Refunding Bonds to be redeemed, (f) the numbers of the Refunding Bonds to be redeemed in whole or in part and, in the case of any Refunding Bond to be redeemed in part only, the Principal Amount of such Refunding Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Refunding Bond to be redeemed in whole or in part. Each Redemption Notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date and that from and after such date, interest with respect thereto shall cease to accrue. Redemption Notices (and related notices) may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Refunding Bonds.

In case of the redemption as permitted herein of all the Refunding Bonds of any one maturity then Outstanding, the Redemption Notice shall be given as herein provided, except that the Redemption Notice need not specify the serial numbers of the Refunding Bonds of such maturity.

Any Redemption Notice for an optional redemption of the Refunding Bonds delivered in accordance with this section may be conditional, and, if any condition stated in the Redemption Notice shall not have been satisfied on or prior to the redemption date: (i) the Redemption Notice shall be of no force and effect, (ii) the District shall not be required to redeem such Refunding Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the Owners in the manner in which the conditional Redemption Notice was given that such condition or conditions were not met and that the redemption was canceled.

Neither the failure to receive a Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the Refunding Bonds selected for redemption.

(iv) Additional Notice. In addition to the Redemption Notice given pursuant to Section 7(b)(iii), further notice shall be given by the Paying Agent as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if a Redemption Notice has been given as above prescribed.

Each further notice of redemption shall be sent at least thirty (30) days before the redemption date by registered or certified mail or overnight delivery service, or in such other manner as is approved by the recipient of such notice, to the Securities Depositories and to the Information Services; provided that, if the Securities Depositories are other than DTC and the Information Services are other than the Municipal Securities Rulemaking Board, the District shall designate the recipients in a written notice to the Paying Agent.

(v) Partial Redemption of Refunding Bonds. Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Refunding Bond or Refunding Bonds of like tenor and maturity and of authorized denominations equal in Principal Amount to the unredeemed portion of the Refunding Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.



(vi) Effect of Notice of Redemption. Notice having been given in accordance with Section 7(b)(iii), and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund (as defined in Section 13 below) or an escrow account as provided in Section 20 hereof, the Refunding Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Refunding Bonds to be redeemed as provided in Section 7(b) hereof, together with interest to such redemption date, shall be held in the Debt Service Fund or in an escrow account as provided in Section 20 hereof so as to be available therefor on such redemption date, and if a Redemption Notice shall have been given as herein provided, then from and after such redemption date, interest with respect to the Refunding Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Refunding Bonds shall be held in trust for the account of the Owners of the Refunding Bonds so to be redeemed.

Upon the payment of the redemption price of Refunding Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

All Refunding Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 7 shall be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Refunding Bond purchased by the District shall be cancelled by the Paying Agent.

(vii) Refunding Bonds No Longer Outstanding. When any Refunding Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent or an escrow agent appointed by the District irrevocably in trust for the payment of the redemption price of such Refunding Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, all as provided in this Resolution, then such Refunding Bonds shall no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation on the applicable redemption date.

(c) Book-Entry System.

(i) Except as provided below, the registered owner of all of the Refunding Bonds shall be DTC, and the Refunding Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Refunding Bonds shall be initially executed and delivered in the form of a single, fully registered Refunding Bond (which may be typewritten) for each maturity date of such Refunding Bonds (or in the case of two or more interest rates within a maturity a single fully-registered Refunding Bond in the respective Principal Amount for each interest rate) in an authorized denomination (except for any odd denomination Refunding Bond). Upon initial execution and delivery, as provided for herein, the ownership of such Refunding Bond shall be registered in the Bond Register in the name of the Nominee identified below as nominee of DTC, and its successors and assigns. Except as hereinafter provided, all of the Outstanding Refunding Bonds shall be registered in the Bond Register in the name of the Nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section. Each Refunding Bond certificate shall bear a

legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. (OR IN SUCH OTHER NAME AS REQUESTED BY THE AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), HAS AN INTEREST HEREIN."

With respect to the Refunding Bonds registered in the Bond Register in the name of the Nominee, neither the District nor the Paying Agent shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Refunding Bonds as securities depository (the "Participant") or to any person on behalf of which such a Participant holds an interest in the Refunding Bonds. Without limiting the immediately preceding sentence, neither the District nor the Paying Agent shall have any responsibility or obligation (unless the District is at such time the Depository) with respect to (a) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Refunding Bonds, (b) the delivery to any Participant or any other person, other than an Owner of a Refunding Bond as shown in the Bond Register, of any notice with respect to the Refunding Bonds, including any Redemption Notice, (c) the selection by the Depository and its Participants of the beneficial interests in the Refunding Bonds to be redeemed in the event the District redeems the Refunding Bonds in part, or (d) the payment to any Participant or any other person, other than an Owner of a Refunding Bond as shown in the Bond Register, of any amount with respect to Principal of or interest on the Refunding Bonds. The District and the Paying Agent may treat and consider the person in whose name each Refunding Bond is registered in the Bond Register as the holder and absolute owner of such Refunding Bond for the purpose of payment of Principal and interest with respect to such Refunding Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Refunding Bond, for the purpose of registering transfers with respect to such Refunding Bond, and for all other purposes whatsoever. The Paying Agent shall pay all Principal of and interest on the Refunding Bonds only to or upon the order of the respective Owner of the Refunding Bond, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of Principal of and interest on the Refunding Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Refunding Bond, as shown in the Bond Register, shall receive a Refunding Bond evidencing the obligation of the District to make payments of Principal and interest. Upon delivery by the Depository to the Owners of the Refunding Bonds, and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Resolution shall refer to such substitute nominee of the Depository.

(ii) In order to qualify the Refunding Bonds for the Depository's book-entry system, the District has executed and delivered to the Depository a Letter of Representations (the "Letter of Representations"). The execution and delivery of the Letter of Representations shall not in any way limit the provisions of this Section or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Refunding Bonds other than the Owners of the Refunding Bonds, as shown on the Bond Register. In addition, to the execution and delivery of the

Letter of Representations, the District shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Refunding Bonds for the Depository's book-entry program.

(iii) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Refunding Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, subsection (c) hereof shall no longer be applicable and the District shall deliver new fully-registered book-entry securities with respect to the Refunding Bonds as provided below. In addition, the District may determine at any time that the Refunding Bonds shall no longer be represented by book-entry securities and that the provisions of subsection (c) hereof shall no longer apply to the Refunding Bonds. In any such event, the District shall execute and deliver certificates representing the Refunding Bonds as provided below. Refunding Bonds issued in exchange for book-entry securities pursuant to this subsection (c) shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall deliver such bonds representing the Refunding Bonds to the persons in whose names such Refunding Bonds are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared new fully-registered book-entry securities for each of the maturities of the Refunding Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.

Notwithstanding any other provisions of this Resolution to the contrary, so long as any Refunding Bond is registered in the name of the Nominee, all payments with respect to Principal of, and interest on such Refunding Bond and all notices with respect to such Refunding Bond, including notices of redemption, shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the District and the Paying Agent.

(iv) Transfer of Refunding Bonds to Substitute Depository. Registered ownership of the Refunding Bonds held in book-entry form, or any portions thereof, may not thereafter be transferred following their registration in the name of the Nominee except:

(A) To any successor of the Depository or its nominee, or of any substitute depository designated pursuant to Section 7(c)(iv)(B) ("Substitute Depository"); provided that any successor of the Depository or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) To any Substitute Depository designated by the District, upon (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that the Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that the Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

In the case of any transfer pursuant to Section 7(c)(iv)(A) or (B), upon receipt of all Outstanding Refunding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent designating the Substitute Depository, a single new Refunding Bond, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Refunding Bonds then Outstanding (or in the case of two or more interest rates within a maturity a single fully-registered Refunding Bond in the respective Principal Amount for each interest rate), registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to Section 7(c)(iv)(C), upon receipt of all Outstanding Refunding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent, new Refunding Bonds, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, provided that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

In the case of a partial redemption or an advance refunding of any Refunding Bonds evidencing a portion of the Principal maturing in a particular year, the Depository or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Refunding Bonds indicating the date and amounts of such reduction in the Principal, in form acceptable to the Paying Agent, all in accordance with the Letter of Representations. The Paying Agent shall not be liable for such Depository's failure to make such notations or errors in making such notations.

The District and the Paying Agent shall be entitled to treat the person in whose name any Refunding Bond is registered as the owner thereof for all purposes of this Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the District; and the District and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Refunding Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including the Depository or its successor (or Substitute Depository or its successor), except to the Owner of any Refunding Bonds, and the Paying Agent may rely conclusively on its records as to the identity of the Owners of the Refunding Bonds.

The initial Depository under this Section 7(c) shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

**Section 8. Execution of Bonds.** The Refunding Bonds shall be signed by the President of the Board, or if the President is unavailable, by any other member of the Board who is authorized to sign on behalf of the President, and the Clerk of the Board by their manual or facsimile signatures each in their official capacities. In case any one or more of the officers who shall have signed any of the Refunding Bonds shall cease to be such officer before the Refunding Bonds so signed shall have been issued by the District, such Refunding Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed such Refunding Bonds had not ceased to hold such offices. No Refunding Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this

Resolution unless and until the certificate of authentication printed on the Refunding Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Refunding Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

#### **Section 9. Paying Agent; Transfer and Exchange.**

So long as any of the Refunding Bonds remain unpaid, the District will cause the Paying Agent to maintain and keep at its principal office the Bond Register consisting of all books and records necessary for the registration, exchange and transfer of the Refunding Bonds as provided in this Section. Subject to the provisions of Section 10 below, the person in whose name a Refunding Bond is registered on the Bond Register shall be regarded as the absolute owner of that Refunding Bond for all purposes of this Resolution. Payment of or on account of the Principal of and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Refunding Bonds, including interest, to the extent of the amount or amounts so paid.

The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least 60 days' written notice to the District. Any Paying Agent may be removed by the District at any time by an instrument filed with such Paying Agent and signed by the District. A successor Paying Agent shall be appointed by the District which shall be, other than the Treasurer, a bank or trust company organized under the laws of any state of the United States, a national banking association or any other financial institution, having capital stock and surplus aggregating at least \$50,000,000 and doing business in the State of California and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution. Such Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there is no successor, to the Treasurer. In the event that for any reason there shall be a vacancy in the office of the Paying Agent, the Treasurer shall act as such Paying Agent. The District shall cause the new Paying Agent appointed to replace any resigned or removed Paying Agent to mail notice of its appointment and the address of its principal office to all registered Owners; provided, however, that if all Refunding Bonds are registered in the name of the Depository, or its Nominee, notice shall be given in such manner as complies with the requirements of the Depository.

Any Refunding Bond may be exchanged for Refunding Bonds of like tenor, maturity and Principal Amount upon presentation and surrender at the principal office of the Paying Agent designated for such purpose, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Refunding Bond may be transferred on the Bond Register only upon presentation and surrender of the Refunding Bond at the principal office of the Paying Agent designated for such purpose together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Refunding

Bond or Refunding Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Principal Amount of the Refunding Bond surrendered and bearing interest at the same rate and maturing on the same date.

If manual signatures on behalf of the District are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Refunding Bonds only after the new Refunding Bonds are signed by the authorized officers of the District. In all cases of exchanged or transferred Refunding Bonds, the District shall sign and the Paying Agent shall authenticate and deliver Refunding Bonds in accordance with the provisions of this Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Refunding Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under this Resolution as the Refunding Bonds surrendered upon that exchange or transfer.

Any Refunding Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Refunding Bonds that the District may have acquired in any manner whatsoever, and those Refunding Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Refunding Bonds shall be made to the District by the Paying Agent at least twice each calendar year. The cancelled Refunding Bonds shall be retained for a period of time and then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Refunding Bonds during a period beginning with the opening of business on the fifteenth day next preceding any date of selection of Refunding Bonds to be redeemed and ending with the close of business on the day on which the applicable Redemption Notice is given, or (b) to transfer any Refunding Bonds which have been selected or called for redemption in whole or in part.

In case any Refunding Bond secured hereby shall become mutilated or destroyed, stolen or lost, the Paying Agent shall cause to be executed and authenticated a new Refunding Bond of like maturity date, interest rate, Principal Amount and tenor in exchange and substitution for and upon the cancellation of such mutilated Refunding Bond or in lieu of and in substitution for such Refunding Bond mutilated, destroyed, stolen or lost, upon the Owner's paying the reasonable expenses and charges in connection therewith, and, in the case of a Refunding Bond destroyed, stolen or lost, such Owner's filing with the Paying Agent and the District of evidence satisfactory to them that such Refunding Bond was destroyed, stolen or lost, and/or such Owner's ownership thereof in furnishing the Paying Agent and District with indemnity satisfactory to each of them.

Any new Refunding Bonds issued pursuant to this Section 9 in substitution for Refunding Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Refunding Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Refunding Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Refunding Bonds.

**Section 10. Payment.** Payment of interest on any Refunding Bond shall be made to the person appearing on the Bond Register as the Owner thereof as of the Record Date immediately

preceding the applicable Bond Payment Date. The interest, Principal, and redemption premiums, if any, on the Refunding Bonds shall be payable in lawful money of the United States of America. With respect to all Refunding Bonds registered in the name of the Depository or its Nominee, all payments of interest, Principal and redemption premiums, if any, shall be made in accordance with the Letter of Representations or as otherwise instructed by the Depository and agreed to by the District and the Paying Agent. With respect to all Refunding Bonds not held in book-entry form by the Depository or its Nominee, interest shall be paid by check mailed to each Owner on the Bond Payment Date at such Owner's address as it appears on the Bond Register, or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date; provided, however, the Owner of an aggregate Principal Amount of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The Principal of and redemption premiums, if any, on Refunding Bonds not held in book-entry form by the Depository or its Nominee shall be payable upon maturity or redemption upon surrender at the principal office or other designated office of the Paying Agent. The Paying Agent is hereby authorized to pay the Refunding Bonds when duly presented for payment at maturity or redemption, and to cancel each Refunding Bond upon payment thereof.

The Refunding Bonds are general obligation bonds of the District, payable solely from the proceeds of *ad valorem* taxes levied on all property subject to such taxes within the District which are deposited to the Debt Service Fund.

**Section 11. Form of Refunding Bonds.** The Refunding Bonds shall be in substantially the following form, allowing those officials executing the Refunding Bonds to make the insertions and deletions necessary to conform the Refunding Bonds to this Resolution, the Notice of Sale or the Purchase Contract, as applicable, and the Official Statement, as applicable, and to correct any defect or inconsistent provision therein or to cure any ambiguity or omission therein.

(Form of Refunding Bond)

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. (OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), HAS AN INTEREST HEREIN.

REGISTERED  
NO.

\$

LAGUNA BEACH UNIFIED SCHOOL DISTRICT  
(ORANGE COUNTY, CALIFORNIA)  
2020 GENERAL OBLIGATION REFUNDING BONDS

INTEREST RATE:      MATURITY DATE:      DATE OF ISSUANCE:      CUSIP:  
\_\_\_\_\_ %      August 1, 20\_\_      \_\_\_\_\_, 2020

REGISTERED OWNER:      CEDE & CO.

PRINCIPAL AMOUNT:

The Laguna Beach Unified School District (the "District") in Orange County, California (the "County"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing \_\_\_\_\_ 1, 202\_. This bond is a bond of the District and will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before \_\_\_\_\_ 15, 202\_, in which event it shall bear interest from the Date of Issuance. Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register (the "Register") maintained by The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the designated office of the Paying Agent. Interest is payable by the Paying Agent in the manner set forth in the Bond Resolution (defined below) on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the fifteenth day of the calendar month next preceding that Bond Payment Date (the "Record Date").



This bond is one of an authorization of bonds issued by the District pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") for the purpose of refunding certain outstanding bonds of the District, and to pay all necessary legal, financial, and contingent costs in connection therewith. The bonds are being issued under authority of and pursuant to the Act, the laws of the State of California, and the resolution of the Board of Education of the District adopted on May 21, 2020 (the "Bond Resolution"). Any capitalized terms not defined herein shall have the meaning set forth in the Bond Resolution. This bond and the issue of which this bond is a part are general obligation bonds of the District payable as to both Principal and interest solely from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District and levied to repay the bonds, which taxes are unlimited as to rate or amount. The bonds are secured by such *ad valorem* taxes on a parity with certain other general obligation bonds of the District that remain outstanding.

The bonds of this issue are being issued in the Principal Amount of \$\_\_\_\_\_.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Principal Amount and in authorized denominations at the designated office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of Principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the fifteenth day next preceding any date of selection of bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

The bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their fixed maturity dates. The bonds maturing on or after August 1, 20\_\_ are subject to redemption at the option of the District, as a whole or in part, from any source of funds, on any date on or after August 1, 20\_\_, at a redemption price equal to the Principal Amount of the bonds called for redemption plus interest accrued thereon to the date fixed for redemption, without premium.

The bonds maturing on August 1, 20\_\_ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20\_\_ at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed

for redemption, without premium. The principal amount of such bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

***Redemption Date***  
***(August 1)***

***Principal Amount***

***\$***

Whenever provision is made in accordance with the Bond Resolution for the optional redemption of bonds and less than all outstanding bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select bonds for redemption as so directed by the District. Within a maturity, the Paying Agent shall select bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any bond to be redeemed in part shall be in an amount equal to \$5,000 or any integral multiple thereof.

The Paying Agent shall give notice (a "Redemption Notice") of the redemption of the bonds at least 30 but not more than 60 days prior to the redemption date. Any Redemption Notice for an optional redemption of the bonds may be conditional, and, if any condition stated in the Redemption Notice shall not have been satisfied on or prior to the redemption date: (i) the Redemption Notice shall be of no force and effect, (ii) the District shall not be required to redeem such bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the Owners in the manner in which the conditional Redemption Notice was given that such condition or conditions were not met and that the redemption was canceled.

The rights and obligations of the District and of the Owners of the bonds may be modified or amended at any time by a supplemental resolution adopted by the District in certain cases with the written consent of Owners of at least 60% in aggregate Principal Amount of the outstanding bonds issued under the Bond Resolution, exclusive of bonds, if any, owned by the District and in certain cases without the consent of the Owners as further specified in the Bond Resolution.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligation bonds of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay Principal and interest on the bonds when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

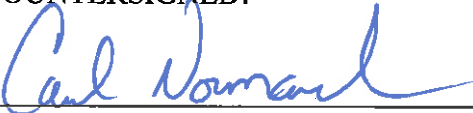
IN WITNESS WHEREOF, the Laguna Beach Unified School District has caused this bond to be executed by the manual or facsimile signature of the President of the Board of Education of the District and to be countersigned by manual or facsimile signature of the Clerk of the Board of Education of the District, all as of the date stated above.

LAGUNA BEACH UNIFIED SCHOOL DISTRICT

By: 

Peggy Wolff, President of the Board of Education

COUNTERSIGNED:



Carol Normandin, Clerk of the Board of Education

## CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on \_\_\_\_\_.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Paying Agent

By: \_\_\_\_\_  
Its: Authorized Signatory

## ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and zip code of Transferee): \_\_\_\_\_ this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: \_\_\_\_\_.

## LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with the issuance of, and dated as of the date of the original delivery of, the bonds. A signed copy is on file in my office.

(Facsimile)

Clerk of the Board of Education

**Section 12. Delivery of Refunding Bonds.** The proper officials of the District shall cause the Refunding Bonds to be prepared and, following their sale, shall have the Refunding Bonds signed and delivered to the Depository for the account of the Purchaser, the Underwriter or any entity with whom the Refunding Bonds are privately placed, as applicable, upon payment of the purchase price therefor in immediately available funds.

**Section 13. Application of Proceeds of Refunding Bonds.** Proceeds from the sale of the Refunding Bonds received by the District shall be transferred to the Escrow Bank for deposit in the Escrow Fund established under the Escrow Agreement in an amount sufficient to defease the Refunded Bonds, all as set forth in a certificate of an Authorized Officer. Proceeds from the sale of the Refunding Bonds in an amount sufficient to pay all costs of issuing the Refunding Bonds shall be deposited in the fund of the District known as the "Laguna Beach Unified School District 2020 General Obligation Refunding Bond Cost of Issuance Fund" (the "Cost of Issuance Fund") and shall be kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Refunding Bonds. The Cost of Issuance Fund may at the discretion of the District be held by the Paying Agent or the County or at a bank selected by an Authorized Officer of the District for such purpose, and each Authorized Officer, acting alone, is authorized to enter into an agreement with the entity designated to hold the Cost of Issuance Fund.

Any accrued interest received by the District from the sale of the Refunding Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the "Laguna Beach Unified School District 2020 General Obligation Refunding Bond Debt Service Fund" (the "Debt Service Fund") for the Refunding Bonds and used only for payments of Principal and interest on the Refunding Bonds. The Debt Service Fund may, at the discretion of the District, be held by the County or the Paying Agent. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes set forth herein for which the Refunding Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of Principal and interest on the Refunding Bonds.

Money on deposit in the debt service fund established for the Refunded Bonds collected to make the debt service payments on the Refunded Bonds may either be used to pay the interest or principal due on the Refunded Bonds, may be transferred to the Escrow Fund and applied as set forth in the Escrow Agreement or may be used to pay principal and interest due on the Refunding Bonds as directed, in writing, by an Authorized Officer.

Notwithstanding any of the foregoing, the provisions of this Section 13 as they relate to the dispersal and allocation of moneys on deposit in the debt service fund established for the Refunded Bonds and the provisions of this Section 13 as they relate to the application of any proceeds from the sale of the Refunding Bonds may be amended by the Notice of Sale or the Purchase Contract, as applicable, so long as the transactions contemplated by such amendment are in compliance with the provisions of the Act.

Except as required below to satisfy the requirements of Section 148(f) of the Code, interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay Principal and interest on the Refunding Bonds when due.

#### **Section 14.     Rebate Fund.**

(a)     General. There shall be created and established a special fund designated the “Laguna Beach Unified School District 2020 General Obligation Refunding Bond Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Rebate Regulations”). Such amounts shall be free and clear of any lien hereunder and shall be governed by this Section, Section 16 hereof, and the Tax Certificate to be executed by the District.

(b)     Deposits.

(i)     Within forty-five (45) days of the end of each fifth year ending August 1 (or such other date as is referred to in the Tax Certificate) (each, a “Bond Year”), (1) the District shall calculate or cause to be calculated with respect to the Refunding Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Rebate Regulations, using as the “computation date” for this purpose the end of such five Bond Years, and (2) the District cause to be deposited to the Rebate Fund from deposits from the District or from amounts on deposit in the other funds established hereunder, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

(ii)    The District shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section.

(iii)   The District shall not be required to calculate the “rebate amount” and the District shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Refunding Bonds (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148 (f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception of the Rebate Requirement pursuant to whichever of said sections is applicable, or (2) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a one and one-half percent (1½%) penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the District shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c)     Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment of all the Refunding Bonds and any amounts described in paragraph (2) of subsection (d) of this Section, or provision made therefor satisfactory to the District, including accrued interest, shall be remitted to the District.

(d)     Withdrawal for Payment of Rebate. Subject to the exceptions contained in subsection (b) of this Section to the requirement to calculate the “rebate amount” and make deposits to

the Rebate Fund, the District shall pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than sixty (60) days after the end of (i) the fifth (5th) Bond Year, and (ii) each fifth (5th) Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Rebate Regulations; and

(ii) not later than sixty (60) days after the payment of all Refunding Bonds, an amount equal to one hundred percent (100%) of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Rebate Regulations.

(e) Deficiencies in the Rebate Fund. In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Rebate Payments. Each payment required to be made pursuant to subsection (d) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date on which such payment is due, or to such other location as the Internal Revenue Service has authorized payment to be made, and shall be accompanied by Internal Revenue Service Form 8038-T, such form to be prepared or caused to be prepared by the District.

(g) Withdrawal of Excess Amounts in the Rebate Fund. In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the District may withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) Records. The District shall retain records of all determinations made hereunder until six years after the retirement of the last obligations of the Refunding Bonds.

(i) Survival of Defeasance. Notwithstanding anything in this Resolution to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Refunding Bonds.

(j) Modification. Notwithstanding the foregoing provisions of this Section 14, to the extent that any provision of this Section 14 is inconsistent with the Tax Certificate, the provisions of the Tax Certificate shall govern. The District covenants to comply with all provisions of the Tax Certificate. The District need not comply with any provision of this Section 14 if it delivers to the Paying Agent an opinion of nationally recognized bond counsel to the effect that such noncompliance will not adversely affect the exclusion from gross income of interest on the Refunding Bonds.

**Section 15. Security for the Refunding Bonds.** There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Refunding Bonds are Outstanding in an amount sufficient to pay the Principal of and interest on the Refunding Bonds when due. When collected the *ad valorem* taxes will be placed in the



Debt Service Fund of the District, which *ad valorem* taxes, together with the amounts on deposit in the Debt Service Fund, are irrevocably pledged pursuant to Government Code Sections 5450 and 5451 to the payment of the Principal of and interest on the Refunding Bonds when and as the same fall due. Pursuant to Government Code Section 53515, the Refunding Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* taxes for the payment thereof. The District covenants to cause the County to take all actions necessary to levy such *ad valorem* taxes in accordance with Education Code Section 15250 *et seq.* and to cause the proceeds from such levy to be deposited to the Debt Service Fund to pay the Principal of and interest on the Refunding Bonds when due.

The moneys in the Debt Service Fund, to the extent necessary to pay the Principal of and interest on the Refunding Bonds as the same become due and payable, shall be transferred to the Paying Agent which, in turn, shall pay such moneys to the Owners to pay the Principal of and interest on the Refunding Bonds. Any moneys remaining in the Debt Service Fund after the Refunding Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, pursuant to the Education Code Section 15234.

#### **Section 16. Tax Covenants.**

(a) The District covenants for and on behalf of the Owners that it shall not take any action, or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Refunding Bonds under Section 103 of the Code.

(b) The District covenants to restrict the use of the proceeds of the Refunding Bonds in such manner and to such extent, if any, as may be necessary, so that the Refunding Bonds will not constitute arbitrage bonds under Section 148 of the Code and the applicable regulations prescribed under that Section or any predecessor section.

**Section 17. Legislative Determinations.** In accordance with Government Code section 5852.1, good faith estimates of the following have been obtained from the Municipal Advisor and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Refunding Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Refunding Bonds, including an estimate of the costs of issuance, (c) the amount of proceeds of the Refunding Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Refunding Bonds, and (d) the sum total of all debt service payments on the Refunding Bonds calculated to the final maturity of the Refunding Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Refunding Bonds. The Board finds and determines that the provisions of Government Code section 5852.1 have been satisfied with respect to the authorization of the Refunding Bonds.

This Board determines that all acts and conditions necessary to have been met precedent to and in the issuing of the Refunding Bonds in order to make them legal, valid and binding general obligation bonds of the District have been performed and have been met, or will at the time of delivery of the Refunding Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Refunding Bonds. Furthermore, the Board finds and determines pursuant to Section 53552 of the Act that the prudent management of the fiscal affairs of the District requires that

it issue the Refunding Bonds under the provisions of the Act without submitting the question of the issuance of the Refunding Bonds to a vote of the qualified electors of the District.

**Section 18. Official Statement.** The form of the Preliminary Official Statement (the "Preliminary Official Statement"), substantially in the form on file with the Clerk of the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the District, to make such changes therein as are necessary to make the Preliminary Official Statement accurate as of its date, to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934 prior to its distribution, and to use such Preliminary Official Statement in connection with the offering and sale of the Refunding Bonds. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver to the Purchaser or the Underwriter, as applicable, a final Official Statement (the "Official Statement"), substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Municipal Advisor or the Underwriter, as applicable, is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Refunding Bonds and is directed to deliver copies of the Official Statement to the purchasers of the Refunding Bonds. Execution of the Official Statement by an Authorized Officer shall conclusively evidence the District's approval of such Official Statement. In the event that the Refunding Bonds are privately placed, there is no requirement that an Official Statement be delivered and, in such event, the Refunding Bonds may be issued without the delivery of an Official Statement.

**Section 19. Insurance.** Each of the Authorized Officers, acting alone, is hereby authorized to enter into negotiations to procure bond insurance for the Refunding Bonds and to purchase bond insurance if it will result in net debt service savings to the District. In the event the District purchases bond insurance for the Refunding Bonds or in the event that the Purchaser or the Underwriter, as applicable, elects to purchase bond insurance at its option, and to the extent that the Bond Insurer makes payment of the Principal of or interest on the Refunding Bonds with respect to which it has made payment, it shall become the owner of such Refunding Bonds with the right to payment of Principal of or interest on the Refunding Bonds, and shall be fully subrogated to all of the Owners' rights, including the Owners' rights to payment thereof. To evidence such subrogation: (i) in the case of subrogation as to claims that were past due interest payments, the Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books for the Refunding Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued by the Bond Insurer for the payment of such interest to the Owners of the Refunding Bonds, and (ii) in the case of subrogation as to claims for past due Principal, the Paying Agent shall note the Bond Insurer as subrogee on the registration books for the Refunding Bonds maintained by the Paying Agent upon surrender of the Refunding Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond Insurer.

**Section 20. Defeasance.** All or any portion of the Refunding Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Paying Agent, or an independent escrow agent selected by the District, an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Refunding Bonds designated for defeasance, including all Principal and interest and premium, if any, at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with the Paying Agent, or an independent escrow agent selected by the District, noncallable Government Obligations together

with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Refunding Bonds designated for defeasance (including all Principal and interest represented thereby and redemption premium, if any) at or before their maturity date.

If either of the foregoing provisions have been satisfied with respect to all or a portion of the Refunding Bonds then, whether or not the Refunding Bonds so defeased shall have been surrendered for payment, such Refunding Bonds shall no longer be Outstanding hereunder and all obligations of the District with respect to the Refunding Bonds so defeased shall cease and terminate, except only the obligation of the District and the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of this Section, to the Owners of such Refunding Bonds all sums due with respect thereto.

For purposes of this Section, Government Obligations shall mean:

Direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying direct and general obligations of the United States of America; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying direct and general obligations of the United States of America; and (iii) the underlying direct and general obligations of the United States of America are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated by S&P Global Ratings and Moody's Investors Service in the same rating category as the underlying direct and general obligations of the United States of America.

## **Section 21. Other Actions, Determinations and Approvals.**

(a) Officers of the Board and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including an agreement for paying agent services, which they may deem necessary or advisable in order to proceed with the issuance of the Refunding Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) The Board hereby finds and determines that the total net interest cost to maturity on the Refunding Bonds plus the Principal amount of the Refunding Bonds will be less than the total net interest cost to maturity on the Refunded Bonds plus the principal amount of the Refunded Bonds.

(c) The Board anticipates that the Refunded Bonds will be paid on their earliest possible redemption dates.

(d) The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as escrow bank for the Refunded Bonds.

(e) Each of the Authorized Officers, acting alone, is hereby authorized to take any and all actions necessary or desirable to allow the Purchaser or the Underwriter, as applicable, to comply with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, as amended.

(f) The provisions of this Resolution may be amended by the Purchase Contract.

**Section 22. Transmittal of Resolution to County Auditor and Treasurer-Tax Collector.** The Clerk of this Board is hereby directed to provide a certified copy of this Resolution and the debt service schedule for the Refunding Bonds and the Refunded Bonds to the County Auditor and the Treasurer-Tax Collector of Orange County.

**Section 23. Continuing Disclosure.** The form of Continuing Disclosure Certificate on file with the Clerk of the Board is hereby approved, and each of the Authorized Officers, acting alone, is authorized to execute and deliver the Continuing Disclosure Certificate in the form presented to this Board, with such changes as the Authorized Officer executing the Continuing Disclosure Certificate shall approve, such approval to be conclusively evidenced by the execution and delivery thereof by an Authorized Officer. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the District in connection with the Refunding Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. Noncompliance with this Section shall not result in a default in or an acceleration of the Refunding Bonds.

**Section 24. Engagement of Professional Services.** The Board hereby approves the engagement of the firm of Fieldman, Rolapp & Associates, Inc. to act as Municipal Advisor to the District in connection with the issuance of the Refunding Bonds. Stradling, Yocca, Carlson & Rauth, a Professional Corporation, is hereby retained by the District as bond counsel and disclosure counsel ("Bond Counsel") in connection with the issuance of the Refunding Bonds. The Superintendent or the Assistant Superintendent, Business Services, is hereby authorized to enter into contracts with each of said firms. All fees and expenses payable to such firms shall be contingent upon and be payable only from proceeds of the Refunding Bonds.

**Section 25. Escrow Agreement.** The form of the Escrow Agreement for the Refunded Bonds on file with the Clerk of the Board is hereby approved, and each of the Authorized Officers, acting alone, is authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Escrow Agreement in substantially the form approved, with such changes therein as the Authorized Officer executing the Escrow Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by an Authorized Officer.

**Section 26. Supplemental Resolutions.**

(a) This Resolution, and the rights and obligations of the District and of the Owners of the Refunding Bonds issued hereunder, may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of the Owners owning at least 60% in aggregate Principal Amount of the Outstanding Refunding Bonds, exclusive of Refunding Bonds, if

any, owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Refunding Bond affected, reduce the Principal Amount of any Refunding Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such supplemental resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

(b) This Resolution, and the rights and obligations of the District and of the Owners of the Refunding Bonds issued hereunder, may be modified or amended at any time by a supplemental resolution adopted by the District without the written consent of the Owners:

(i) To add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(ii) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(iii) To confirm as further assurance any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(iv) To cure any ambiguity, supply any omission, or correct any defect or inconsistent provision in this Resolution; or

(v) To amend or supplement this Resolution in any other respect, provided such supplemental resolution does not adversely affect the interests of the Owners.

(c) Any act done pursuant to a modification or amendment consented to as provided in (a) above shall be binding upon the Owners of all the Refunding Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

**Section 27. Request to County to Levy Tax.** The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of *ad valorem* property taxes in each year sufficient to pay all Principal and interest coming due on the Refunding Bonds in such year, and to pay from such taxes all amounts due on the Refunding Bonds. The District hereby requests the Board of Supervisors to levy annually *ad valorem* property taxes upon all taxable property in the District sufficient to pay the Principal of and interest on the Refunding Bonds as and when the same become due.

**Section 28. Resolution to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the Refunding Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract

among the District and the Owners from time to time of the Refunding Bonds; and the pledge and covenants made in this Resolution shall be for the equal benefit, protection and security of the Owners of any and all of the Refunding Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Refunding Bonds over any other thereof.

**Section 29. Unclaimed Moneys.** Anything in this Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Refunding Bonds which remain unclaimed for one (1) year after the date when such Refunding Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Paying Agent after said date when such Refunding Bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Refunding Bonds shall look only to the District for the payment of such Refunding Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Refunding Bonds, at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

**Section 30. Permitted Investments.**

(a) Moneys held in all funds and accounts established hereunder shall be invested and reinvested in Authorized Investments to the fullest extent practicable and in a manner that will provide moneys when needed for payments to be made from such funds and accounts, subject to any conditions in the Tax Certificate. Nothing in this Resolution shall prevent any Authorized Investments acquired as investments of funds held hereunder from being issued or held in book-entry form on the books of the Department of Treasury of the United States. Unless otherwise instructed by an Authorized Officer of the District in writing, amounts held hereunder shall be invested in the Orange County Educational Investment Pool.

(b) Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account. In computing the amount in any fund or account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued interest.

(c) If at any time it is deemed necessary or desirable by the District, upon the written direction of an Authorized Officer of the District, the County may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

**Section 31. Creation of Additional Funds.** If at any time it is deemed necessary or desirable by the District, upon the written direction of an Authorized Officer of the District, the Treasurer may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

**Section 32. Approval of Debt Management Policies.** The Debt Management Policies set forth in Exhibit B hereto are hereby approved. The Superintendent, Assistant Superintendent, Business Services, and other officers of the District are hereby authorized and directed to take all actions necessary to comply with the Debt Management Policies.

**Section 33. Approval of Disclosure Procedures.** The Disclosure Procedures set forth in Exhibit C hereto are hereby approved. The Superintendent, Assistant Superintendent, Business Services, and other officers of the District are hereby authorized and directed to take all actions necessary to comply with the Disclosure Procedures.

**Section 34. Effective Date.** This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 21<sup>st</sup> day of May, 2020, by the following vote:

AYES: 5 Vickers, Kelly, Perry, Normandin, Wolff

NOES: 0

ABSENT: 0

ABSTENTIONS: 0

BOARD OF EDUCATION OF THE  
LAGUNA BEACH UNIFIED SCHOOL DISTRICT

By:   
Peggy Wolff, President

Attest:

  
Carol Normandin, Clerk



## CLERK'S CERTIFICATE

I, Carol Normandin, Clerk of the Board of Education of the Laguna Beach Unified School District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held in compliance with applicable law on May 21, 2020, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

An Agenda of said meeting was posted at least 72 hours before said meeting at a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

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: May 21, 2020



Carol Normandin

Clerk of the Board of Education

## EXHIBIT A

### **GOOD FAITH ESTIMATES**

The good faith estimates set forth herein are provided with respect to the Refunding Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Refunding Bonds to be sold is \$17,430,000 (the "Estimated Principal Amount"), which is estimated to generate original issue premium of \$1,388,318. Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the Refunding Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Refunding Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Refunding Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Refunding Bonds, is 3.10%.

(b) Finance Charge of the Refunding Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Refunding Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Refunding Bonds, which means the sum of all fees and charges paid to third parties, is \$229,860, of which \$195,000 is for costs of issuance to be paid from Refunding Bond proceeds and \$34,860 is the purchaser's or underwriter's discount.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Refunding Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Refunding Bonds, less the finance charge of the Refunding Bonds paid from Refunding Bond proceeds described in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the Refunding Bonds, which amount is \$0, is \$18,588,458.

(d) Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Refunding Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Refunding Bonds, plus the finance charge for the Refunding Bonds as described in (b) above not paid with the proceeds of the Refunding Bonds, (which amount is \$0) calculated to the final maturity of the Refunding Bonds, is \$21,332,579 (\$0 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Refunding Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from

such good faith estimates due to (a) the actual date of the sale of the Refunding Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Refunding Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Refunding Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Refunding Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the Refunding Bonds and the actual principal amount of Refunding Bonds sold will be determined by the District based on the timing of the need for proceeds of the Refunding Bonds and other factors. The actual interest rates borne by the Refunding Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Refunding Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

## **EXHIBIT B**

### **LAGUNA BEACH UNIFIED SCHOOL DISTRICT**

### **DEBT ISSUANCE AND MANAGEMENT POLICY**

This Debt Management Policy (the “Policy”) provides written guidelines for the issuance of indebtedness by the Laguna Beach Unified School District (the “District”). The Board of Education (the “Board”) of the District recognizes the importance of adopting a sound, transparent and comprehensive debt policy in order to support its strategic plan, priorities and objectives and to satisfy the requirements of Government Code Section 8855(i).

#### **Article I**

##### **Purpose and Goals**

This Policy provides a framework for debt management and capital planning by the District.

This Policy has been developed to meet the following goals:

- (1) Identifying the purposes for which the debt proceeds may be used.
- (2) Identifying the types of debt that may be issued.
- (3) Describing the relationship of the debt to, and integration with, the District’s capital improvement program or budget.
- (4) Establishing policy goals related to the District’s planning goals and objectives.
- (5) Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.
- (6) Providing accountability and transparency with respect to the District’s existing and proposed debt issuances.

#### **Article II**

##### **Purposes for Which Debt Proceeds May be Used**

###### **Section 2.01. Purposes for the Issuance of Debt**

A. General. The laws of the State of California (the “State”) authorize the District to incur debt for school improvement projects, to provide for cash flow needs and to refund existing debt. For purposes of this Policy references to debt shall include lease financings which, although not technically debt within the meaning of the California Constitution, are often used to finance capital improvements of school districts and require payment in a manner similar to debt.

B. School Facilities. The District is authorized to issue various types of debt to acquire, construct, reconstruct, rehabilitate, replace, improve, extend, enlarge, and equip school facilities owned and operated by the District and proceeds of debt may be used for any of such purposes.

C. Cash Flow. The District may deem it necessary to finance cash flow requirements under certain conditions. Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued. The proceeds of such debt will be used to fund District operating costs until the debt is repaid from the taxes and other sources of revenues pledged to repayment are received by the District. Operating costs include, but are not limited to, those items normally funded in the District's annual operating budget.

D. Refundings. The District is authorized to issue debt to refund previously issued debt. Proceeds of refunding debt will be applied to refund previously issued debt and pay costs of issuance related to refunding debt. Generally refunding debt will be issued to reduce debt service costs to the District but the District may issue refunding debt to restructure other debt if determined by the Board to be in the best interests of the District.

## **Section 2.02. State Law**

A. Debt Limit. Section 18 of Article XVI of the State Constitution contains the "debt limitation" provisions applicable to the District.

B. General Obligation Bonds. There are a number of State laws that govern the issuance of general obligation bonds ("GO Bonds") by school districts. Sections 1(b)(2) (Proposition 46) and 1(b)(3) of Article XIII A (Proposition 39) of the State Constitution allow the District to issue GO Bonds. The statutory authority for issuing GO Bonds, as well as bond anticipation notes ("BANs"), is contained in Education Code Section 15100 *et seq.* Additional provisions applicable only to Proposition 39 GO Bonds are contained in Education Code Section 15264 *et seq.* An alternative procedure for issuing GO Bonds is also available in Government Code Section 53506 *et seq.* The District may also issue refunding GO Bonds pursuant to Government Code Section 53550 *et seq.*

C. Other Financing Authority. The statutory authority for issuing Tax and Revenue Anticipation Notes ("TRANS") is contained in Government Code Section 53850 *et seq.* Authority for lease financings is found in Education Code Section 17455 *et seq.* and additional authority is contained in Education Code Sections 17400 *et seq.*, 17430 *et seq.* and 17450 *et seq.*, and Government Code 4217.10 *et seq.* The District may also form community facilities districts, for which the Board would serve as the legislative body, to issue Mello-Roos bonds pursuant to Government Code Section 53311 *et seq.* (the "Mello-Roos Act").

## **Article III**

### **Types of Debt That May be Issued**

#### **Section 3.01. Types of Debt Authorized to be Issued**

A. Short-Term. The District may issue fixed-rate and/or variable rate short-term debt, to enable the District to meet its cash flow requirements. Potential financing sources for cash flow needs include TRANS issued by the District, temporary borrowing from the Orange County Treasurer-Tax Collector, and temporary interfund borrowing from other District funds. The District's Superintendent, or Assistant Superintendent, Business Services ("CBO"), will review potential financing methods to determine which method is most prudent for the District and recommend an approach to the Board. The District may also issue BANs to provide interim financing for school facilities projects that will ultimately be paid from GO Bonds.

B. Long-Term: Long-term debt may be issued to finance site acquisition, capital facilities projects and equipment where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations. Long-term debt will typically take the form of lease financing, GO Bonds or Mello-Roos bonds as described in paragraphs C, D and E below.

C. Lease Financing. Lease-purchase obligations are a routine and appropriate means of financing equipment purchases and capital facilities. However, such lease-purchase obligations may impact budget flexibility as they generally are paid from General Fund moneys. Lease financings may take the form of a direct placement with a lessor or be coupled with the issuance of certificates of participation or lease revenue bonds purchased by investors in the public capital markets.

D. General Obligation Bonds. The District may fund capital projects from GO Bond proceeds. Projects financed by GO Bond proceeds will be determined by the constraints of applicable law and the project list approved by voters. Long term debt in the form of GO Bonds may be issued under Article XIII A of the State Constitution, either under Proposition 46, which requires approval by at least a two-thirds (66.67%) majority of voters, or Proposition 39, which requires approval by at least 55% of voters, subject to certain accountability requirements and additional restrictions.

E. Mello-Roos Bonds: The District may elect to form a community facilities district pursuant to the Mello-Roos Act (the "CFD") over all or a portion of the District and, subject to registered voter or landowner approval as determined by statute, may issue debt to be repaid from special taxes levied on property within such CFD to finance equipment and capital facilities.

## **Article IV**

### **Relationship of Debt to and Integration with District's Capital Improvement Program or Budget**

#### **Section 4.01. Impact on Operating Budget**

In considering the issuance of debt for capital projects, the District should evaluate how the issuance will further the implementation of the District's capital improvement program and impact its operating budget both short and long-term, the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs and potential adverse impacts on the District's educational program due to such debt service costs.

#### **Section 4.02. Capital Improvement Program**

In considering the issuance of debt for capital projects, the District should evaluate how the issuance will further the implementation of the District's capital improvement program. The CBO and the facilities staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Board. Staff will, as appropriate, supplement and revise any applicable Facilities Master Plan (or similar document) in keeping with the District's current needs for the acquisition, development and/or improvement of District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the

projects to be completed. The District should strive not to issue debt earlier than it is needed to meet the facilities needs outlined in the Facilities Master Plan (or similar document).

#### **Section 4.03. Refunding and Restructuring Policy**

##### **A. Considerations for Refunding and Restructuring District Debt.**

1. District's Best Interest. Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or will provide added flexibility to District operations.

2. Net Present Value Analysis. The CBO shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding. In cases where the refunding results in net present value debt service savings, the CBO may make a recommendation to the Board as to how to structure the receipt of savings over time. In the case of a restructuring where there are no debt service savings, the CBO shall provide to the Board an explanation as to how the restructuring will benefit District operations.

3. Comply with Existing Legal Requirements. The refunding or restructuring of any existing debt shall comply with all applicable State and Federal laws governing such issuance.

#### **Article V**

##### **Policy Goals Related to District's Planning Goals and Objectives**

In following this Policy, the District shall pursue the following goals:

1. The District shall strive to fund capital improvements from voter-approved GO Bond or Mello-Roos issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.

2. To the extent applicable, the District shall endeavor to attain the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.

3. The District shall inform itself as to the standards applied by credit rating agencies to its debt and will seek to avoid any financial decision that will negatively impact credit ratings on existing or future debt issues.

4. The District shall, with respect to GO Bonds, undertake bond issues that are consistent with its statutory debt limit in relation to assessed value within the District and will assume reasonable levels of assessed valuation growth in projecting the tax rate needed to repay such debt.

5. The District shall consider market conditions and District cash flows when timing the issuance of debt.

6. The District shall determine the amortization (maturity) schedule which will fit best within the overall debt structure of the District at the time the new debt is issued. All debt issued

by the District shall mature within the limits set forth in applicable provisions of the Education Code or the Government Code.

7. The District shall set the duration of a long-term debt issue to be consistent, to the extent possible, with the economic or useful life of the improvement or capital asset being financed. Generally, the final maturity of the debt shall be equal to or less than the useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average life of the assets being financed. In addition, the District shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

8. The District shall, when issuing debt, assess opportunities to include new and innovative financing approaches, including whenever feasible, categorical grants, revolving loans or other State/federal aid, including State matching funds for facilities, so as to minimize the encroachment on the District's General Fund.

9. The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner. Unless required for structuring purposes (e.g. first interest payment due before levy dollars are received), the District will seek to minimize the use of capitalized interest in order to avoid unnecessarily increasing the bond size and interest expense.

10. The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to maximize its debt capacity for future use.

11. The District shall consider the following guidelines when issuing debt:

a. *New Money Bond Issuances:* For new money debt issuances, the District shall size all tax-exempt issuances consistent with the "spend-down" requirements of the Internal Revenue Code and within any limits approved by the District's voters.

b. *Refunding Bond Issuances:* The sizing of refunding bonds will be determined by the amount of money that will be required to pay the principal of and any accrued interest and redemption premium for the debt to be paid on the debt being defeased and to cover appropriate financing costs.

12. The District shall determine the optimal method of sale for each debt issuance which may be undertaken either as a sale to the public or as a direct placement with a bank or other investor.

## **Article VI**

### **Internal Control Procedures to Ensure Intended Use of Proceeds**

#### **Section 6.01. Control Procedures**

A. Purpose. The purpose of the District's internal control procedures with respect to debt issuances is to ensure that the District complies with all requirements set forth in the controlling



documents pursuant to which any debt is issued and that the proceeds are spent for the intended purposes authorized by the District when approving the debt issuance.

B. Responsible Officer. The CBO is the officer of the District with primary responsibility for ensuring compliance with this Policy and with the requirements contained in the controlling documents pursuant to which any debt is issued. The CBO may assign other appropriate District personnel to assist in the CBO in carrying out this responsibility.

C. Procedures for Debt Administration. The CBO shall establish procedures for the administration of debt which shall include maintaining an inventory of outstanding debt and a list of covenants in the issuance documents to be complied with by the District after the issuance date. Periodically the CBO, or his or her designee, shall review and update the procedures as needed and shall review and update the inventory of outstanding debt and list of covenants.

D. Procedures for Disbursement of Funds. The CBO shall be responsible for applying the same system of internal controls to the proceeds of debt issuances as it does to all other District funds.

E. Recordkeeping. The CBO shall be responsible for maintaining all records related to each debt issue including a transcript of documents, records regarding the investment and disbursement of funds, rebate reports, audit reports and other documentation required by the documents pursuant to which the debt was issued or required to be filed with any state or federal agency.

#### **Section 6.02. Use of Proceeds**

A. The District shall be vigilant in using the proceeds of any debt issuance in accordance with the stated purposes at the time such debt was incurred. In furtherance of the foregoing, and in connection with the issuance of all GO Bonds:

1. As required by Government Code Section 53410, the District shall only use GO Bond proceeds for the purposes approved by the District's voters; and
2. The CBO shall have the responsibility, no less often than annually, to provide to the Board a written report which shall contain at least the following information:
  - (i) The amount of the debt proceeds received and expended during the applicable reporting period; and
  - (ii) The status of the acquisition, construction or financing of the school facility projects, as identified in any applicable bond measure, with the proceeds of the debt.

These reports may be combined with other periodic reports which include the same information, including but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, or continuing disclosure reports or other reports made in connection with the debt. These requirements shall apply only until the earliest of the following: (i) all the debt is redeemed or defeased, but if the debt is refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased, or (ii) all proceeds of the debt, or any investment earnings thereon, are fully expended.

3. The District shall post on the District website the Annual Report of the District's Independent Bond Oversight Committee which has been given the responsibility to review

the expenditure of GO Bond proceeds to assure the community that all GO Bond funds have been used for the construction, renovation, repair, furnishing and equipping of school facilities, and not used for teacher or administrator salaries or other operating expenses.

4. The District shall hire an independent auditor to perform an annual independent financial and performance audit of the expenditure of GO Bond proceeds, and to post such audits on the District website.

### **Section 6.03. Monitoring of Post-Issuance Compliance**

A. The CBO shall be primarily responsible for ensuring that the District complies with its debt covenants including taking steps to confirm that:

1. The funds and accounts required by the debt issuance documents are established in the District's accounting system to record the receipt and disbursement of proceeds and the payment of debt service.

2. Any funds or accounts to be held by a trustee for any District debt are established in accordance with the debt issuance documents and that the trustee statements are reconciled periodically with District records.

3. Expenditures of the proceeds of debt are processed pursuant to appropriate separation of duties or other appropriate controls established by the District.

4. District and any trustee records related to the debt issuance including records relating to the investment and disbursement of proceeds are being maintained in accordance with the covenants in the debt issuance documents.

5. For tax-exempt debt, all covenants in the tax certificate related to timing of the disbursement of proceeds, arbitrage rebate and yield restriction and use of facilities financed with the tax-exempt proceeds are being followed.

6. Any required continuing disclosure annual reports are prepared in a timely manner and are complete and filed with the Municipal Securities Rulemaking Board's EMMA website and that any listed event notices are filed in a timely manner.

7. The annual report required by Government Code Section 8855(k) is timely filed with the California Debt Investment and Advisory Commission.

## **EXHIBIT C**

### **LAGUNA BEACH 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 Laguna Beach 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 transparent 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, 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 the Assistant Superintendent, Business Services (the "CBO") has a discussion with Bond Counsel, Disclosure Counsel and the lead underwriter (if the Obligations are to be sold on a negotiated basis) and any District municipal 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 CBO 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 CBO 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 CBO 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, CBO, 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 (if the Obligations are to be sold on a negotiated basis), and any District municipal 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 (if the Obligations are to be sold on a negotiated basis), during which the Official Statement 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 SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter/initial purchaser 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 CBO 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 these Procedures on an ad hoc basis. However, these 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 these 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 (if the Obligations are to be sold on a negotiated basis) 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 nine months (by March 30 of the following year) 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. 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. Additionally, all Continuing Disclosure Certificates executed after February 27, 2019 include two new event notices related to financial obligations of the District in order to comply with amendments to Rule 15c2-12 which took effect on such date. These amendments define "financial obligation" as a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii); however, the term "financial obligation" does not include

municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12. To ensure compliance with these amendments the CBO will identify the District's financial obligations and provide any required event notice related to the District's financial obligations.

The CBO 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 CBO 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](http://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.

#### **INFORMATION/STATEMENTS AVAILABLE TO THE PUBLIC**

The SEC Office of Municipal Securities ("OMS") released a bulletin on February 7, 2020 which states that it is the view of the OMS that the antifraud provisions of SEC Rule 10b-5 applies to any statement of a municipal issuer that is reasonably expected to reach investors and the trading market, regardless of the intended primary audience and the medium of delivery. The following sections provide guidance to District staff and officials with respect to information and statements relating to the District that could reach the investment market outside of the context of an OS or in Annual Reports.

Information on the District Website. The SEC has noted that, in circumstances where it is not apparent to the reasonable person that the posted materials or statements on a public company's website speak as of a certain date or earlier period, previously posted materials or statements that have been put on a public company's website should be separately identified as historical or previously posted materials or statements, and located in a separate section of the website.

When placing or updating information or reports on the District website, information that is no longer the most current should be clearly identified. For example, when uploading the District's annual Comprehensive Annual Financing Reports (CAFR), the most recent CAFR should be clearly identified and distinguished from CAFRs for earlier fiscal years.

If hyperlinks to third-party websites are included on the District's website, an appropriate disclaimer to the effect that the District has not verified and is not responsible for the information on such third-party website should be included. In addition, statements as to why the District is including the hyperlink on its website, the nature of the hyperlink, and use of disclaimers, "exit notices," or "intermediate screens" should be employed, as appropriate.

Public Reports. The SEC has cited certain public reports, including those that are produced by the District (CAFRs, budgets, interim financial reports and other financial reports), as information reasonably expected to reach investors and the trading markets, and therefore subject to the antifraud provisions of SEC Rule 10b-5, even if not filed with EMMA.

Public reports produced by the District, including staff reports for agenda items and those that may be provided to other governmental bodies or regulators should include appropriate disclaimer language. District staff should reach out to senior District officials, who will work with Disclosure Counsel as necessary, to provide disclaimer language before any reports that could reasonably reach investors are finalized and made available to the public.

Statements Made by District Officials. When making public statements, including verbal statements, District elected officials and staff should give consideration as to whether such statements can reasonably be expected to reach investors and if so, whether such statements could be materially misleading. District officials are encouraged to clearly identify when a public statement relating to the District is a personal expression of opinion. District elected officials and staff should contact Disclosure Counsel for guidance if there is a question as to whether statements, including verbal statements, can be reasonably expected to reach investors and whether such statements could be materially misleading.