

Paramount Unified School District

TO: Delores Stephens, Co-Interim Superintendent
David Verdugo, Co-Interim Superintendent
FROM: Michael Conroy, Assistant Superintendent of Business Services
DATE: May 27, 2015
SUBJECT: Resolution 14-35, 2012 School Facility Bridge Program Certificates
Adoption of a New Adjustment Period and Adjusted Interest Rate

BACKGROUND INFORMATION

The District completed the initial "*Change in Mode*" of the 2012 School Facilities Bridge Funding Program Certificates ("2012 Bridge Certificates") with Wells Fargo Bank on December 1, 2014. Under the Change in Mode process, the District converted the 2012 Bridge Certificates into the Unenhanced Extended-Rate Mode, under which the interest rate was fixed at 1.45% through June 1, 2015 (6-month Adjustment Period) with Wells Fargo Bank. Wells Fargo Bank is currently the sole institutional purchaser ("Purchaser") of the 2012 Bridge Certificates but Wells Fargo is only interested in short-term periods (6 months or less) at this time.

With interest rates currently being at very low levels, the District's objective is to fix the interest rate on the 2012 Bridge Certificates for a longer 3-year period. In meeting this objective, California Financial Services ("CFS") has completed the process of securing U.S. Bank to replace Wells Fargo Bank as the Purchaser of the 2012 Bridge Certificates to provide the District with a low fixed rate for a much longer 3-year period. U.S. Bank has been providing a variety of banking services as part of the District's School Funding Team since the early 1990s, including the purchase of all of the District's Measure AA interim Bond Anticipation Notes ("BANs") in 2010.

The development and implementation steps needed for the replacement of Wells Fargo Bank with U.S. Bank as the Purchaser of the District's 2012 Bridge Certificates has now been completed. Resolution No. 14-35 (the "Resolution"), which, upon adoption by the Paramount Unified School District Facilities Corporation's ("Corporation") Board of Directors ("Corporation Board"), will approve/authorize the following regarding the replacement of Wells Fargo Bank with U.S. Bank as the Purchaser under the District's 2012 Bridge Certificates:

Form of the First Supplemental Trust Agreement:

The Trust Agreement currently provides for the incorporation of Additional Provisions in the event of a Change in Mode but not a continuation of a current Mode.

ACTION ITEM: 4.1-A

The Resolution provides for the Corporation's Board's approval of the substantially final form of the First Supplemental Trust Agreement which amends the Trust Agreement to provide the *flexibility* needed to incorporate Additional Provisions into the Trust Agreement for the continuation of the Unenhanced Extended Rate Mode on the Change Date.

Form of the First Amendment to the Lease Agreement:

Like the Trust Agreement referenced above, the Lease Agreement currently provides for the incorporation of Additional Provisions in the event of a Change in Mode but not a continuation of a current Mode. The Resolution provides for the Corporation's Board's approval of the substantially final form of the First Amendment to the Lease Agreement which also amends the Lease Agreement to provide the *flexibility* needed to incorporate Additional Provisions for the continuation of the Unenhanced Extended Rate Mode on the Change Date.

The Resolution also authorizes the Corporation's officers to proceed with the remaining activities required to complete the replacement of Wells Fargo Bank with U.S. Bank as the Purchaser of the 2012 Bridge Certificates on the June 1, 2015 Change Date and as Trustee under the 2012 School Facility Bridge Funding Program.

The substantially final forms of the above-referenced documents are available for review in Business Services. Members of the District's School Funding Team will be in attendance to answer questions that the District's Board may have.

POLICY/ISSUE:

Board Policy 3290 – Management of District Funds

FISCAL IMPACT:

None. The 2012 Bridge Certificate payments have been previously budgeted by the District.

STAFF RECOMMENDATION:

Adopt Resolution 14-35, approving the substantially final form of the above-referenced documents, and authorizing the activities required to complete the replacement of Wells Fargo Bank with U.S. Bank as the Purchaser of the District's 2012 Bridge Certificates, and authorize the Co-Interim Superintendent(s) or designee to execute all necessary documents.

PREPARED BY:

Michael Conroy, Assistant Superintendent-Business Services

DISTRICT PRIORITY 9:

Effectively manage resources in order to achieve the District's mission.

RESOLUTION NO. 14-35

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PARAMOUNT UNIFIED SCHOOL DISTRICT FACILITIES
CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY
BY THE CORPORATION OF A FIRST SUPPLEMENTAL TRUST
AGREEMENT AND A FIRST AMENDMENT TO LEASE AGREEMENT
RELATING TO THE PARAMOUNT UNIFIED SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2012 SCHOOL FACILITY
BRIDGE FUNDING PROGRAM), AND AUTHORIZING THE
EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES
AND RELATED ACTIONS**

WHEREAS, in order to refinance certain school facilities, the Paramount Unified School District (the "District") caused to be executed and delivered the Paramount Unified School District Certificates of Participation (2012 School Facility Bridge Funding Program) (the "Certificates");

WHEREAS, the Certificates were executed and delivered pursuant to the Trust Agreement, dated as of January 1, 2012, by and among Wells Fargo Bank, National Association, as Trustee, the Paramount Unified School District Facilities Corporation (the "Corporation") and the District (capitalized undefined terms used herein have the meanings ascribed thereto in the Trust Agreement);

WHEREAS, the Certificates are currently in the Unenhanced Extended Rate Mode and the Change Date therefor is June 1, 2015 (the "Current Change Date");

WHEREAS, Section 3.05 of the Trust Agreement provides that on the Change Date for the Unenhanced Extended Rate Mode (a) the District shall effect a Change in Mode from the Unenhanced Extended Rate Mode to an Enhanced Mode, as provided in the Trust Agreement, (b) the District shall effect a Change in Mode from the Unenhanced Extended Rate Mode to the Fixed Rate Mode, as provided in the Trust Agreement, (c) the Owners of the Certificates shall have consented to a new Adjustment Period to be in effect on such Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period, as provided in the Trust Agreement, or (d) a Purchaser shall have purchased the Certificates with a new Adjustment Period to be in effect on such Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period, as provided in the Trust Agreement;

WHEREAS, the District desires to have a Purchaser purchase the Certificates with a new Adjustment Period to be in effect on the Current Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period, as provided in the Trust Agreement;

WHEREAS, U.S. Bank National Association ("U.S. Bank") has submitted to the District a proposal to purchase the Certificates on the Current Change Date with a new Adjustment Period to be in effect on the Current Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period;

WHEREAS, Section 3.09(a) of the Trust Agreement provides that in order to cause a new Adjustment Period to be in effect and a new Adjusted Interest Rate to be evidenced by Certificates in the Unenhanced Extended Rate Mode on the Change Date for such Mode through the sale of the Certificates to a Purchaser, the District shall, no later than 30 days prior to such Change Date deliver to the Trustee a Written Certificate of the District specifying (i) the Adjustment Period to be in effect on such Change Date, and (ii) that a Purchaser, which Purchaser shall be identified in such Written Certificate of the District, is prepared to purchase all of the Certificates in the Unenhanced Extended Rate Mode, with such Adjustment Period, on such Change Date, at a purchase price at least equal to the Accreted Value evidenced by such Certificates, subject to the negotiation and agreement with the District of the Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period;

WHEREAS, the District has so delivered such a Written Request to the Trustee;

WHEREAS, in connection with the purchase of the Certificates by U.S. Bank and the implementation of a new Adjustment Period to be in effect on the Current Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period, the District and U.S. Bank desire that Additional Provisions, substantially in the form presented to this meeting, be incorporated into the Trust Agreement and the Lease Agreement (such U.S. Bank Additional Provisions, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "U.S. Bank Additional Provisions");

WHEREAS, Section 13.02 of the Trust Agreement provides that upon any Change in Mode to the Unenhanced Extended Rate Mode or the Fixed Rate Mode, the District may cause Additional Provisions to be incorporated into the Trust Agreement by delivering to the Trustee, on or before the date of such Change in Mode, a Written Certificate of the District directing that such Additional Provisions, a copy of which shall be attached to such Written Certificate, be incorporated into the Trust Agreement on and as of the date of such Change in Mode, and that said Additional Provisions shall remain in effect so long as the Certificates are in the Unenhanced Extended Rate Mode or the Fixed Rate Mode effected on the date of such Change in Mode and, upon a Change in Mode to a different Mode, said Additional Provisions shall be of no further force or effect;

WHEREAS, Section 13.02 of the Trust Agreement does not provide that the District may cause Additional Provisions to be incorporated into the Trust Agreement upon a purchase by a Purchaser of the Certificates on the Change Date for the Unenhanced Extended Rate Mode pursuant to Section 3.09 of the Trust Agreement and, therefore, unless Section 13.02 of the Trust Agreement is amended, the U.S. Bank Additional Provisions may not be so incorporated into the Trust Agreement;

WHEREAS, the District and the Corporation desire to amend Section 13.02 of the Trust Agreement to provide that the District may cause Additional Provisions to be incorporated into the Trust Agreement on the Change Date for the Unenhanced Extended Rate Mode upon a purchase by a Purchaser of the Certificates pursuant to Section 3.09 of the Trust Agreement;

WHEREAS, in order to provide flexibility in the future, the District and the Corporation desire to amend Section 13.02 of the Trust Agreement to provide that the District may cause Additional Provisions to be incorporated into the Trust Agreement on the Change Date for the Unenhanced Extended Rate Mode upon the Owners of the Certificates consenting to a new Adjustment Period to be in effect on such Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period pursuant to Section 3.08 of the Trust Agreement;

WHEREAS, a First Supplemental Trust Agreement providing for such amendments has been prepared (such First Supplemental Trust Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "First Supplemental Trust Agreement");

WHEREAS, Section 11.01 of the Trust Agreement provides that, subject to the limitations contained therein (which are inapplicable to the First Supplemental Trust Agreement), the Trust Agreement and the rights and obligations of the Corporation, the District, the Trustee and the Owners thereunder may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Corporation, the District and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate Accreted Value evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 13.07 thereof;

WHEREAS, Wells Fargo Bank, National Association ("Wells Fargo") is the Owner of all of the Outstanding Certificates;

WHEREAS, Wells Fargo has indicated that, as Owner of all of the Outstanding Certificates, it is willing to consent to the modification and amendment of the Trust Agreement by the First Supplemental Trust Agreement;

WHEREAS, Section 10.02 of the Lease Agreement provides that upon any Change in Mode to the Unenhanced Extended Rate Mode or the Fixed Rate Mode, the District may cause Additional Provisions to be incorporated into the Lease Agreement by delivering to the Trustee, on or before the date of such Change in Mode, a Written Certificate of the District directing that such Additional Provisions, a copy of which shall be attached to such Written Certificate, be incorporated into the Lease Agreement on and as of the date of such Change in Mode, and that said Additional Provisions shall remain in effect so long as the Certificates are in the Unenhanced Extended Rate Mode or the Fixed Rate Mode effected on the date of such Change in Mode and, upon a Change in Mode to a different Mode, said Additional Provisions shall be of no further force or effect;

WHEREAS, Section 10.02 of the Lease Agreement does not provide that the District may cause Additional Provisions to be incorporated into the Lease Agreement upon a purchase by a Purchaser of the Certificates on the Change Date for the Unenhanced Extended Rate Mode pursuant to Section 3.09 of the Trust Agreement and, therefore, unless Section 10.02 of the Lease Agreement is amended, the U.S. Bank Additional Provisions may not be so incorporated into the Lease Agreement;

WHEREAS, the District and the Corporation desire to amend Section 10.02 of the Lease Agreement to provide that the District may cause Additional Provisions to be incorporated into the Lease Agreement on the Change Date for the Unenhanced Extended Rate Mode upon a purchase by a Purchaser of the Certificates pursuant to Section 3.09 of the Trust Agreement;

WHEREAS, in order to provide flexibility in the future, the District and the Corporation desire to amend Section 10.02 of the Lease Agreement to provide that the District may cause Additional Provisions to be incorporated into the Lease Agreement on the Change Date for the Unenhanced Extended Rate Mode upon the Owners of the Certificates consenting to a new Adjustment Period to be in effect on such Change Date and a new Adjusted Interest Rate to be evidenced by the Certificates during such Adjustment Period pursuant to Section 3.08 of the Trust Agreement;

WHEREAS, a First Amendment to Lease Agreement providing for such amendments has been prepared (such First Amendment to Lease Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "First Amendment to Lease Agreement");

WHEREAS, Section 11.07 of the Lease Agreement provides that, subject to the limitations contained therein (which are inapplicable to the First Amendment to Lease Agreement), the Lease Agreement, and the rights and obligations of the Corporation and the District thereunder, may be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Corporation, but only with the prior written consent of the Owners of a majority of the aggregate Accreted Value evidenced by the Certificates then Outstanding;

WHEREAS, Wells Fargo has indicated that, as Owner of all of the Outstanding Certificates, it is willing to consent to the modification and amendment of the Lease Agreement by the First Amendment to Lease Agreement;

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the First Supplemental Trust Agreement; and
- (b) the First Amendment to Lease Agreement;

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Corporation is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Paramount Unified School District Facilities Corporation, as follows:

Section 1. All of the recitals herein contained are true and correct and the Board of Directors of the Corporation so finds.

Section 2. The form of the First Supplemental Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved, and the President of the Corporation, the Vice President of the Corporation, the Treasurer of the Corporation, the Secretary of the Corporation and the Assistant Secretary of the Corporation, and such other officers of the Corporation as the President of the Corporation may designate (the "Authorized Officers") are each hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Corporation, to execute and deliver the First Supplemental Trust Agreement in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of the First Amendment to Lease Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved, and the Authorized Officers are each hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Corporation, to execute and deliver the First Amendment to Lease Agreement in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The officers and employees of the Corporation are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 5. All actions heretofore taken by the officers, employees and agents of the Corporation with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 6. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 27th day of May, 2015.

President of the Paramount Unified School
District Facilities Corporation

Secretary of the Paramount Unified School
District Facilities Corporation

SECRETARY'S CERTIFICATE

I, _____, Secretary of the Paramount Unified School District Facilities Corporation, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the Board of Directors of said Corporation duly and regularly held on May 27, 2015, of which meeting all of the members of said Board had due notice and at which a majority thereof were present; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT OR NOT VOTING:

An agenda of said meeting was posted at least 72 hours before said meeting at 15110 California Avenue, Paramount, California, a location freely accessible to members of the public, and a brief general description of said Resolution appeared on said agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that 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 27, 2015

Secretary of the Paramount Unified School
District Facilities Corporation