

ADMINISTRATIVE REGULATION

Placentia-Yorba Linda Unified School District

Business/Non-Instructional

3432 - AR

DISCLOSURES INTENDED OR EXPECTED TO REACH INVESTORS

The following procedures (this “*Disclosure Administrative Regulation*”) shall be observed when the Placentia-Yorba Linda Unified School District (the “District”) makes statements or other communications that are intended (or reasonably can be expected) to be accessible to and relied upon by investors in the District’s general obligation bonds, tax and revenue anticipation notes, certificates of participation, or other debt securities.

1. **Meanings.** Certain terms used in this Administrative Regulation have the meanings described in Appendix A.
2. **Background.**
 - 2.1 **Investor Reliance.** The District has issued and expects to continue to issue Public Securities in the public debt markets and, in connection therewith, issues offering documents and enters into continuing disclosure undertakings to update financial and operating data in the offering documents at least annually, and files timely notices of certain events with the MSRB through EMMA. Investors in the District’s Securities rely on the filings as well as the District’s website and other Public Statements in deciding whether to buy, hold, or sell the District’s Securities.
 - 2.2 **Federal Securities Laws.** Under the federal securities laws, the District must exercise due care in preparing Public Statements that are used to sell Securities to avoid material misstatements or omissions, and may not knowingly or recklessly include material misstatements or misleading statements in other Public Statements while its Securities are outstanding. Knowledge of any officer or employee of the District, as well as information in files of the District, may be imputed to the District. Disclosure Counsel opinions may help to establish care, but are no defense to an action for failing to disclose a known material fact.
3. **Purposes.** The purposes of this Disclosure Administrative Regulation are to confirm and enhance existing policies and procedures regarding Public Statements in order:
 - 3.1 **Compliance with Law.** To assure compliance with applicable law when making Public Statements,
 - 3.2 **Reduce Liability.** To reduce exposure to liability for misstatements and omissions in Public Statements,
 - 3.3 **Reduce Borrowing Costs.** To reduce borrowing costs by promoting good investor relations, and

- 3.4 **Protect the Public.** To avoid damage to residents of the District and other third parties from misstatements or omissions in Public Statements.

4. **Policies.** It is the policy of the District:

- 4.1. **Good Disclosure.** To make disclosure to investors that is sufficiently clear, concise, accurate, and complete to (a) keep them informed of the District's financial condition and results of operations (while advising them of material risks to future financial prospects) and (b) to avoid losses attributable to materially inaccurate or misleading Public Statements,
- 4.2. **Responses to Inquiries.** To respond to all reasonable inquiries from investors, rating agencies, and other participants in the municipal securities markets regarding Public Statements or the financial condition, results of operations, and future financial prospects of the District (while advising them of material risks to future financial prospects),
- 4.3. **Reasonable Care.** To exercise reasonable care in preparing and issuing Public Statements, including responses to inquiries, that may be material to investors, and
- 4.4. **Board of Trustees Authorization.** To give members of the District's Board of Trustees an opportunity to review and question or comment on the Public Statements described in 4.1 and 4.2, and to authorize the filing of such Public Statements, but not to ask that the Board of Trustees approve such Public Statements.

5. **Procedures.** The following officials and employees of the District shall follow the procedures outlined below when preparing, checking, or issuing the following types of Public Statements.

5.1. **Official Statements and Solicitation Statements.**

- 5.1.1. **Continuing Disclosure Working Group.** The Continuing Disclosure Working Group for preliminary and final official statements issued in primary offerings shall consist of a representative of Bond Counsel, Disclosure Counsel, a representative of the District's financial advisor and the following officers and employees of the District: Assistant Superintendent, Business Services.
- 5.1.2. **Scope of Official Statement.** At the beginning of the disclosure process, the Continuing Disclosure Working Group shall meet to (a) determine (with input from the District's underwriters, in the case of a negotiated offering) what information should be disclosed in the Public Statement to fairly present the District's financial condition and future financial prospects (while advising of material risks to such prospects), (b) assign responsibilities for assembling and verifying the information, and (c) establish a schedule for producing the information and the Public Statement that will afford sufficient time for final review by the Continuing Disclosure Working Group and the Disclosure

Officers. While the information included in the last offering document may be used as a starting point, the Continuing Disclosure Working Group should not assume that it represents a complete list of what is currently required.

- 5.1.3. **Assembling Current Information.** The Disclosure Officers shall (a) identify officers or employees of the District who are likely to know or be able to obtain and verify required information, (b) request that they produce and verify the information and also notify the Disclosure Officers of any other fact that they consider to be material to investors, and (c) establish a reasonable but sufficient deadline for producing the information. The Disclosure Officers should produce a draft of the Public Statement based on the information that they receive. The members of the Continuing Disclosure Working Group shall assure that employees within their areas devote sufficient time and care to produce timely and accurate information, when requested. The Disclosure Officers shall distribute drafts of the Public Statement to the Continuing Disclosure Working Group for review together with a description of the process used to compile it.
- 5.1.4. **Review for Process, Accuracy, and Completeness.** The members of the Continuing Disclosure Working Group shall review the Public Statement drafts and Disclosure Officers' process description to determine (and shall report to the Disclosure Officers as to) whether (a) this Administrative Regulation was followed, (b) the material facts in the Public Statement appear to be consistent with those known to the members of the Continuing Disclosure Working Group, and (c) the Public Statement omits any material fact that is necessary to be included to prevent the Public Statement from being misleading to investors. The Disclosure Officers shall take such action as may be necessary, based on feedback from the Continuing Disclosure Working Group, to enable the Continuing Disclosure Working Group to conclude that this Administrative Regulation was followed and that the Public Statement is accurate and complete in all material respects.
- 5.1.5. **Final Approval.** The Continuing Disclosure Working Group shall meet to approve the final draft of the Public Statement. Its approval, together with the Public Statement and the Disclosure Officers' report regarding the process used to prepare and check the Public Statement, shall be sent to the Assistant Superintendent, Business Services. The Public Statement shall not be issued until approved by this officer.
- 5.1.6. **Documentation of Procedures.** The Disclosure Officers shall compile and retain a file of the actions taken to prepare, check, and approve the Public Statement, including the sources of the information included, the comments and actions of the Continuing Disclosure Working Group, and the process description of the Disclosure Officers to and approvals of the Assistant Superintendent, Business Services.

5.2. **Annual Financial and Operating Data.**

- 5.2.1. **Continuing Disclosure Working Group.** The Continuing Disclosure Working Group for periodic/annual financial and operating data to be filed

with the MSRB pursuant to Disclosure Agreements shall consist of a representative of Bond Counsel, Disclosure Counsel, a representative of the District's financial advisor, and the following officers and employees of the District: Assistant Superintendent, Business Services.

- 5.2.2. **Assembling Current Information.** The Disclosure Officers shall (a) compile, retain and maintain (and shall update after every issuance or defeasance of Securities) a list of all financial and operating data required to be filed with the MSRB pursuant to the Disclosure Agreements, (b) assign responsibilities to officers and employees for periodically assembling and verifying the data, (c) request that they produce and verify the data and also notify the Disclosure Officers of any other fact that they consider to be material to investors, and (d) establish a schedule for producing the data (and the Public Statement by which it is filed) that will afford sufficient time for final review by the Continuing Disclosure Working Group and the Disclosure Officers. The Disclosure Officers shall distribute drafts of the Public Statement to the Continuing Disclosure Working Group for review together with a description of the process used to compile it.
- 5.2.3. **Review for Process, Accuracy, and Completeness.** The members of the Continuing Disclosure Working Group shall review the Public Statement drafts and Disclosure Officers' process description to determine (and shall report to the Disclosure Officers as to) whether (a) this Administrative Regulation was followed, (b) the material facts in the Public Statement appear to be consistent with those known to the members of the Continuing Disclosure Working Group, and (c) the Public Statement omits any material fact that is necessary to be included to prevent the Public Statement from being misleading to investors, taking into account disclaimers as to the scope of the Public Statement. The Disclosure Officers shall take such action as may be necessary, based on feedback from the Continuing Disclosure Working Group, to enable the Continuing Disclosure Working Group to conclude that this Administrative Regulation was followed and that the Public Statement is accurate and complete in all material respects.
- 5.2.4. **Final Approval.** The Continuing Disclosure Working Group shall meet to approve the final draft of the Public Statement. Its action, together with the Public Statement and the Disclosure Officers' report regarding the process used to prepare and check the Public Statement, shall be sent to the Assistant Superintendent, Business Services. The Public Statement shall not be issued until approved by these officers.
- 5.2.5. **Posting.** The Disclosure Officers shall file or cause to be filed the Public Statement with the MSRB through EMMA by the deadline established by the Disclosure Agreements. The Disclosure Officers shall exercise due care to file the Public Statement in the format and with the identifying information required by the Disclosure Agreements, including applicable CUSIP numbers for the District's Securities.
- 5.2.6. **Documentation of Procedures.** The Disclosure Officers shall compile and retain a file of the actions taken to prepare, check, and approve the Public

Statement, including the sources of the information included, the comments and actions of the Continuing Disclosure Working Group, and the Disclosure Officers' process description to and approvals of the Assistant Superintendent, Business Services.

5.3. **Event Notices.**

- 5.3.1. **Identification of Reportable Events.** The Disclosure Officers shall maintain a list of events of which the District is required to provide notice to the MSRB pursuant to the Disclosure Agreements. The Disclosure Officers (with the assistance of Members of the Continuing Disclosure Working Group for Official Statements) shall (a) identify the officers and employees of the District who are most likely to first obtain knowledge of the occurrence of such events, and (b) request in writing that they notify the Disclosure Officers immediately after learning of any such event, regardless of materiality, and repeat such request in a semi-annual reminder.
- 5.3.2. **Preparation of Event Notice.** The Disclosure Officers shall (a) assess the materiality of any reported event with the assistance of Bond Counsel and/or Disclosure Counsel (if reportable under the Disclosure Agreements only if material) and (b) if notice of the event must be given, prepare a Public Statement giving notice of the event, and (c) forward the draft Public Statement to Bond Counsel and/or Disclosure Counsel and the Assistant Superintendent, Business Services for their review.
- 5.3.3. **Review and Approval of Event Notice.** The Assistant Superintendent, Business Services shall promptly review and approve or comment on the Public Statement. The Disclosure Officers shall incorporate such comments into the Public Statement to be filed with EMMA. The Disclosure Officers shall not file the Public Statement until it is approved by the Assistant Superintendent, Business Services, unless the Public Statement (a) gives notice of a rating change, bond call, or defeasance or (b) such approval has not been received by the applicable Disclosure Agreement filing deadline.
- 5.3.4. **Posting.** The Disclosure Officers shall file or cause to be filed the Public Statement with the MSRB through EMMA by the deadline established by the Disclosure Agreements. The Disclosure Officers shall exercise due care to file the Public Statement in the format and with the identifying information required by the Disclosure Agreements, including applicable CUSIP numbers for the applicable Securities.
- 5.3.5. **Documentation of Procedures.** The Disclosure Officers shall compile and retain a file of the actions taken to report each event and prepare, check, and approve the Public Statement giving notice of the event, including the approvals of the Assistant Superintendent, Business Services, if obtained.

5.4. **Semi-Annual Check for Completeness.**

- 5.4.1. **Semi-Annual Check for Material Developments.** Promptly after the District's accounting records for the first interim and the second interim are

closed (on December 15th and March 15th of each year, respectively), the Disclosure Officers shall review the results of such interim reports and request in writing that the members of the Continuing Disclosure Working Group, the Superintendent, Assistant Superintendent, Business Services and the persons described in 5.1.3, 5.2.2, and 5.3.1 inform the Disclosure Officers of any event or fact that any of them believes to be material to investors and not disclosed in the most recent Public Statement filed with the MSRB through EMMA pursuant to 5.2.5 or 5.3.4.

5.4.2. **Preparation and Approval of Supplemental Filing.** The Disclosure Officers, with advice from Bond Counsel and/or Disclosure Counsel, shall determine whether changes in the financial results of the operation or condition from the prior year, or any event or fact reported pursuant to 5.4.1, would, if disclosed on EMMA, materially change the total mix of information about the District that is available to investors on EMMA. If it would, they shall prepare a Public Statement disclosing such results, event, or fact with the advice of Bond and/or Disclosure Counsel and forward the Public Statement to the Continuing Disclosure Working Groups for comment. The Disclosure Officers shall (a) modify the Public Statement as they deem advisable on the advice of Bond Counsel and/or Disclosure Counsel to respond to comments from members of the Continuing Disclosure Working Groups and (b) submit the Public Statement to the Assistant Superintendent, Business Services for approval.

5.4.3. **Posting.** After any such Public Statement is approved by the Assistant Superintendent, Business Services, the Disclosure Officers shall file the Public Statement with the MSRB through EMMA. The Disclosure Officers shall exercise due care to file the Public Statement with identifying information that includes all CUSIP numbers for the District's Securities.

6. Training.

6.1. **Personnel to be Trained.** Each member of a Continuing Disclosure Working Group, the Disclosure Officers, the Assistant Superintendent, Business Services, and each officer or employee designated as a source of data or an event notice pursuant to 5.1.3, 5.2.2, or 5.3.1 shall undergo periodic training.

6.2. **Training Content.** The training program and materials shall be prepared by or with the assistance of Bond Counsel and/or Disclosure Counsel. The training program shall impart the requirements of federal and state securities laws and the Disclosure Agreements, the meaning of "material," and the duties of such officers and employees under this Administrative Regulation.

6.3. **Training Frequency.** Each affected officer and employee shall undergo training (a) within one (1) year after being appointed to a position described in 6.1 and (b) at least every two (2) years thereafter.

7. Updates to District Hiring Practices.

- 7.1. **Job Descriptions.** The job description(s) of the officers or employees of the District charged with exercising the responsibilities of a Disclosure Officer under this Administrative Regulation shall be updated, so that should there be a change in administration, the newly retained Assistant Superintendent, Business Services, *for example*, will be notified of his or her duties under this Administrative Regulation.
- 7.2. **Distribution of Administrative Regulation.** This Administrative Regulation shall be **included** in any new employee packet of information provided to the District employee(s) or officer(s), whose responsibilities will include that of Disclosure Officer.

8. Updates to Administrative Regulation.

- 8.1. **Annual and Periodic Review.** After each Public Statement is issued pursuant to 5.1 or 5.2, the Disclosure Officers shall solicit possible recommendations for changes to this Administrative Regulation from each member of the Continuing Disclosure Working Group and the Assistant Superintendent, Business Services. All officers and employees of the District are invited and encouraged to make recommendations for changes to this Administrative Regulation so that it fosters better compliance with applicable law, results in better information to investors, or makes the procedures required by this Administrative Regulation more efficient.
- 8.2. **Recommendations for Change.** Following receipt of any such recommendation, the Disclosure Officers shall give their advice regarding the recommendation to the Continuing Disclosure Working Group. The Continuing Disclosure Working Group shall consider the recommendation and advice, determine whether to propose a change to this Administrative Regulation, and submit such proposal to the Assistant Superintendent, Business Services.
- 8.3. **Changes to Disclosure Administrative Regulation 3432-AR.** The Superintendent, with the advice from the Assistant Superintendent, Business Services, and Bond Counsel and/or Disclosure Counsel, shall approve and implement any change to this Administrative Regulation that is proposed by the Continuing Disclosure Working Group, if it does not change the procedures established by this Administrative Regulation, and is determined by the Superintendent to be advisable. If the Continuing Disclosure Working Group proposes any change to the procedures established by this Administrative Regulation and, based on such advice, the Superintendent determines that such change is advisable, the Superintendent shall make such changes.

9. Miscellaneous.

- 9.1. **Internal Use Only.** This Administrative Regulation is intended for the internal use of the District only and is not intended to establish any duties in favor of or rights of any person other than the District.
- 9.2. **Waiver of Procedures.** The officers and employees charged by this Administrative Regulation with performing or refraining from any action may depart from this

Administrative Regulation when they and the Disclosure Officers in good faith determine that such departure is in the best interests of the District and consistent with the duties of the District under federal and State securities laws. If either Disclosure Officer is charged by this Administrative Regulation with taking or refraining from such action, any such departure shall require approval from either Bond Counsel, Disclosure Counsel, or the District's Chief Legal Officer.

- 9.3. **Document Retention.** All documentation required by 5.1.6, 5.2.6, or 5.3.5 shall be retained for six years.

10. Responsible Administrative Unit

Assistant Superintendent, Business Services

11. Approved by:

Jayne Christakos

5/11/15

Doug Domene

5/11/15

Responsible Division Head

Date

Superintendent

Date

GLOSSARY

For purposes of this Administrative Regulation:

- 1.1. “**Bond Counsel**” means the outside counsel engaged from time to time by the District with the approval of the Assistant Superintendent, Business Services to give advice to the District in accordance with this Administrative Regulation.
- 1.2. “**Chief Legal Officer**” means the District’s General Counsel.
- 1.3. “**Continuing Disclosure Working Group**” for any Public Statement means the officers or employees of the District charged with exercising the responsibilities of the Continuing Disclosure Working Group in preparing or checking the Public Statement under this Administrative Regulation, as described in 1.10 below.
- 1.4. “**Disclosure Agreement**” means the provisions of each ordinance, order, resolution, containing disclosure undertaking, or other agreement of the District by which the District undertakes to provide financial and operating data periodically, and timely notices of certain events, to the MSRB, whether expressly or as the only nationally recognized municipal securities information repository under SEC Rule 15c2-12.
- 1.5. “**Disclosure Counsel**” means the outside counsel engaged from time to time by the District with the approval of the Assistant Superintendent, Business Services to give advice to the District in accordance with this Administrative Regulation.
- 1.6. “**Disclosure Officer(s)**” means the officer(s) or employee(s) of the District charged with exercising the responsibilities of a Disclosure Officer under this Administrative Regulation, i.e., the Assistant Superintendent, Business Services.
- 1.7. “**EMMA**” means the Electronic Municipal Market Access System maintained by the MSRB.
- 1.8. “**Material**” when used to a fact or Public Statement means that a reasonable investor likely would attach significance to it in making a decision to buy, hold, or sell Securities of the District.
- 1.9. “**MSRB**” means the Municipal Securities Rulemaking Board.
- 1.10. “**Public Information Officer**” means the Superintendent, Assistant Superintendent of Business Services [*or title(s) of District officer(s) or employee(s) authorized to issue press releases and other public statements on behalf of the District*].
- 1.11. “**Public Statement**” means any statement or other communication that is intended (or reasonably can be expected) to be accessible to and relied upon by investors in the District’s Securities, including:
 - 1.11.1. **Offering Documents:** preliminary and final Official Statements and other documents by which Securities are offered to the public by the District as well as

solicitation statements by which the District offers to purchase its Securities or requests consents or waivers regarding Securities,

1.11.2. **Continuing Disclosure Documents:** financial and operating data and event notices filed with the MSRB through EMMA pursuant to Disclosure Agreements,

1.11.3. **Other EMMA Filings:** other information filed with the MSRB through EMMA,

1.11.4. **Website Content:** information uploaded to the website of the District, and

1.11.5. **Press Releases, Etc.:** press releases and other formal statements of the District or the Superintendent; or the Assistant Superintendent, Business Services.

1.12. “**SEC**” means the United States Securities and Exchange Commission.

1.13. “**Securities**” means bonds, notes, certificates of obligation, certificates of participation, and other debt obligations or securities of the District, or the payment of which the District is obligated to support by a lease, contract, or other arrangement, that are sold to or otherwise held or traded in by the public.

1.14. “**Web Manager**” means the District Superintendent, Assistant Superintendent of Business Services [*or title of District officer or employee authorized to approve the content of the District’s website*].