

**THE SCHOOL DISTRICT OF PHILADELPHIA
SPECIAL MEETING OF THE SCHOOL REFORM COMMISSION**

NOVEMBER 2, 2015

A special meeting of the School Reform Commission was held on November 2, 2015 in the Auditorium of the School District of Philadelphia Education Center, 440 North Broad Street.

The meeting was convened at 10:05 a.m. by Chair Neff.

Members present: Mr. Green, Ms. Houstoun, Ms. Jimenez, Ms Simms, Chair Neff – 5

Members absent: 0

Chair Neff stated that the School Reform Commission will consider two resolutions brought before the School Reform Commission as a result of the continued budgetary impasse between the General Assembly and the Governor. She stated that Pennsylvania is now starting a fifth month without an operating budget for this fiscal year. Under a status quo budget, with no increase to the Basic Education Funding received last year, the District would have received approximately \$400 million from the state between July 1 and October 31st and a total of approximately \$600 million by December 31st. She stated that Philadelphia is not alone in this funding challenge., and that the Pennsylvania Auditor General estimates that by Thanksgiving over 80 districts across the state will be forced to borrow to keep their schools open. Chair Neff stated that Pennsylvania is one of only three states that does not distribute funds through an equitable, statewide funding formula that takes into account differential needs of students. In June, the bi-partisan Basic Education Funding Commission recommended the implementation of just such a formula. Pennsylvania is also not adequately funding its schools. She stated that a 2007 study found that districts across Pennsylvania spent \$2,400 less per student than was needed to provide an adequate education. Since then, there have been \$1 billion in state cuts to education.. Chair Neff stated that we are advocating for a budget that, first, restores years of cuts in education funding to districts across the Commonwealth and puts in place a student-weighted funding formula for equitable funding in future years; it is not enough to pass a budget that continues our inadequate status quo.

Chair Neff stated that today, the School Reform Commission will vote on two resolutions: SRC-1 which is to authorize the issuance of \$250 million in additional Tax and Revenue Anticipation Notes to facilitate the maintenance of district operations and SRC-2, which is to authorize the transfer of on-hand capital funds to the operating fund to pay for operating expenses as we await the resolution to the Commonwealth budget impasse.

Chair Neff introduced The School District's Deputy CFO, Erin Davis, Andre Allen, financial adviser, and Bob Tuteur Bond Counsel to brief the Commission regarding the resolution authorizing this transaction for the TRAN and the note purchase and credit agreement with Bank of America and PNC Bank.

Bob Tuteur, Bond Counsel, provided an overview of resolution SRC 1, which includes a Fiscal Agent Agreement and an Intercept Agreement and a separate Series C Note Purchase and Credit Agreement. He stated that the documents were interrelated. Mr. Tuteur stated that this action is very similar to resolution SRC-1 approved on July 1, 2015. Today's resolution authorizes up to \$250 million of Tax and Revenue Anticipation Notes. The Notes will be secured by a pledge of taxes and revenues of the District that are contemplated to be received from the date of issuance of the notes until the maturity date of the Notes. The maturity date of the Notes is June 30, 2016. The rate of interest that the Note will bear will be variable rate, based on 67% of one month LIBOR plus 76 basis points. The interest rate will be set the first day of each month. Bank of America and PNC Bank have each agreed to purchase up to \$125 million of Tax and Revenue Anticipation Notes. Mr. Tuteur stated that the School Reform Commission is also being asked to approve an Intercept Agreement. When the budget is passed, the banks can get paid directly through the Commonwealth. The School District has the option to prepay the notes at anytime.

Andre Allen, financial advisor, stated that he team solicited interest from the current note holder of the notes issued in July, Bank of America, and also PNC Bank. He stated that the notes have a maturity date of June 30, 2016. The initial rate anticipated is .89% or 89 basis points, and assuming that rate, the interest to be paid will be approximately \$1.4 million, or approximately \$200,000 per month for the entire \$250 million. In response to Commissioner Houstoun, Mr. Allen stated that the School District would be paying approximately \$4.6 million in interest through June 30th, inclusive of the July 1st TRAN. In response to Commissioner Green, Mr. Allen stated that the excess cost to the District is approximately \$2.5 million.

The meeting was opened to the public for presentation of statements.

Karel Kilimnik stated that what is happening at the State level is criminal. She suggested ways in which the District could save money, including eliminating hiring outside law firms and stop outsourcing, citing Source4Teachers. Directed at Dr. Hite, Ms. Kilimnik questioned why the parents of Cooke, Huey, and Wister Elementary Schools are not being given an opportunity to vote on whether they stay with the District or get turned over to a charter school operator. Ms. Kilimnik also stated that it is time for Dr. Hite to go and for the SRC to dissolve itself.

Lisa Haver stated that today she is delivering a letter to Chair Neff and the Office of Open Records to request information on the payments to date to all of the law firms involved in three of the District's current cases: the cancellation of its contract with the PFT; the appeal of the arbitrator's decision on recalling laid off counselors; and the APPS complaint on violations of the Sunshine Act. Ms. Haver also stated that the children of this District are being robbed of their education because of the mismanagement of the Hite administration and the SRC. She stated that this administration and the SRC have moved this District into the corporate world in many ways:

privatization, outsourcing, referring to parents as customers, and talking about customer service. Ms. Haver stated that Dr. Hite and his administration, and the SRC should resign.

The following resolutions were presented for formal action by the School Reform Commission:

I. SCHOOL REFORM COMMISSION

***SRC-1**

Authorization of the Issuance and Sale of Tax and Revenue Anticipation Notes, Series C of 2015-2016

WHEREAS, The School District of Philadelphia, a school district of the first class of the Commonwealth of Pennsylvania ("School District"), has the power and authority, pursuant to the Local Government Unit Debt Act, 53 Pa. C.S.A. §§ 8001 *et seq.* ("Act"), to borrow money from time to time in any fiscal year in anticipation of the receipt by the School District in that fiscal year of current taxes and revenues, and to evidence such borrowing by the issuance and sale of tax and revenue anticipation notes; and

WHEREAS, on December 21, 2001, the Secretary of Education of the Commonwealth of Pennsylvania declared the School District distressed pursuant to Section 691(c) of the Public School Code of 1949, as amended ("School Code"), effective December 22, 2001; and

WHEREAS, pursuant to the School Code, upon a declaration of distress of a school district of the first class under Section 691(c) of the School Code, within thirty (30) days of such declaration, a School Reform Commission ("School Reform Commission" or "Commission") shall be established; and

WHEREAS, effective January 14, 2002, the School Reform Commission was established; and

WHEREAS, pursuant to the School Code, all powers and duties granted to the Board of Education of the School District, including the power to issue tax and revenue anticipation notes, are vested in the School Reform Commission; and

WHEREAS, by Resolution No. SRC-1 adopted by the Commission on July 1, 2015, the School District authorized the issuance of \$275,000,000 of Tax and Revenue Anticipation Notes, Series A of 2015-2016 ("Series A Notes") and not to exceed \$300,000,000 of Tax and Revenue Anticipation Notes, Series B of 2015-2016 ("Series B Notes" and, together with the Series A Notes, "Series A/B Notes") for the purpose of funding the cumulative cash flow deficits of the School District then forecasted to occur in the fiscal year ending June 30, 2016 ("2016 Fiscal Year"); and

WHEREAS, the Series A Notes are outstanding in the principal amount of \$275,000,000 and the Series B Notes are outstanding in the principal amount of \$300,000,000; and

WHEREAS, as a result in the delay in the enactment and approval of an operating budget by the legislature of the Commonwealth of Pennsylvania ("Commonwealth") for its 2016 fiscal year which commenced on July 1, 2015, the current cash flow forecast with respect to operating budget requirements of the School District for the 2016 Fiscal Year, indicates that the School District will experience additional cash flow deficits during the 2016 Fiscal Year pending receipt of taxes and other revenues of the School District; and

WHEREAS, the Series A Notes and the Series B Notes are held by the same purchaser which has consented to the issuance of the tax and revenue anticipation notes authorized by this Resolution; and

WHEREAS, the Commission has found and determined that, in light of the additional anticipated cash needs of the School District during the 2016 Fiscal Year, it is desirable for the Commission to authorize a tax and revenue anticipation borrowing, in one or more series or subseries, an aggregate principal amount not to exceed \$250,000,000, the proceeds of which shall be applied to the funding of the School District's cumulative cash flow deficits for the 2016 Fiscal Year; and

WHEREAS, prior to or concurrently with the issuance of the Series C Notes, the School District, the Pennsylvania Department of Education ("Department"), the Treasurer of the Commonwealth of Pennsylvania ("State Treasurer"), Bank of America, N.A. ("BofA"), for itself and on behalf of PNC Bank, National Association ("PNC") and PNC will enter into an Intercept Agreement ("Intercept Agreement") which will provide that the Commonwealth, subsequent to the appropriation of the Commonwealth Appropriations for the 2015-2016 fiscal year and upon receipt of notice as provided in the Intercept Agreement shall withhold from Commonwealth Appropriations (as defined in the Intercept Agreement) the amount of principal of and interest on the Series C Notes (as defined herein) stated in such notice due and payable to the applicable Purchaser (as defined herein), and the State Treasurer shall pay such withheld amount to BofA, all at the direction of the Department; and

WHEREAS, the Commission has determined to authorize, in accordance with the Act, the issuance and sale, in the 2016 Fiscal Year, as provided in this Resolution, of tax and revenue anticipation notes evidencing such tax and revenue anticipation borrowing.

NOW THEREFORE, BE IT RESOLVED BY THE AFFIRMATIVE VOTE OF A MAJORITY OF THE MEMBERS OF THE SCHOOL REFORM COMMISSION OF THE SCHOOL DISTRICT OF PHILADELPHIA, AS FOLLOWS:

Section 1. Authorization. Authorization is hereby given for the issuance of two series of tax and revenue anticipation notes of the School District in the 2016 Fiscal Year, to be issued on a date determined by the Authorized Officers (herein defined) in the aggregate principal amount not to exceed \$250,000,000, to be designated "Tax and Revenue Anticipation Series C Notes, Series C-1 of 2015-2016" ("Series C-1 Notes") and "Tax and Revenue Anticipation Series C Notes, Series C-2 of 2015-2016" ("Series C-2 Notes" and, together with the Series C-1 Notes, the "Series C Notes"), respectively. The Series C-1 Notes shall be issued in an aggregate principal amount not to exceed \$125,000,000 and the Series C-2 Notes shall be issued in an aggregate principal amount not to exceed \$125,000,000.

The Series C Notes are being authorized hereby and issued in the 2016 Fiscal Year for the purpose of funding cumulative cash flow deficits of the School District forecasted to occur in the 2016 Fiscal Year.

Section 2. Term of Notes. The Series C Notes shall be dated the date of issuance thereof, and shall be stated to mature on June 30, 2016, which date is within the fiscal year of the School District in which the Series C Notes are authorized and issued.

Section 3. Aggregate Amount of Series C Notes Within Statutory Limit. It is hereby determined that the aggregate principal amount of the Series C Notes together with the outstanding principal amounts of the Series A/B Notes does not exceed the lesser of:

(i) Eighty-five percent (85%) of the sum of taxes levied for the 2016 Fiscal Year and current revenues for such fiscal year to be received by the School District during the period when the Series C Notes and the Series A/B Notes shall be outstanding and which are pledged for payment of the Series C Notes and the Series A/B Notes, as estimated and certified by any member of the Commission, the Superintendent of the School District, the Chief Operating Officer or the Deputy Chief Financial Officer of the School District (collectively, the "Authorized Officers" and individually, an "Authorized Officer") in accordance with the Act (said certified estimate being annexed hereto as Exhibit "A" and made a part hereof); or

(ii) The current maximum anticipated cumulative cash flow deficit of the School District during the 2016 Fiscal Year, as computed by any Authorized Officer of the School District in accordance with the Internal Revenue Code of 1986, as amended ("Code"), and the regulations promulgated thereunder (said computation being annexed hereto as Exhibit "B" and made a part hereof).

Section 4. Purchase of the Series C Notes. It is hereby determined that it is in the best financial interest of the School District to effect a private, negotiated sale of the Series C Notes. The proposal of Bank of America, N.A. ("Series C-1 Purchaser") to purchase the Series C-1 Notes from the School District, and the proposal of PNC Bank, National Association ("Series C-2 Purchaser" and, together with the Series C-1 Purchaser, the "Purchasers" and each, individually, a "Purchaser") to purchase the Series C-2 Notes, each for its own account at not less than par on the terms and conditions set forth in the written proposal presented to this meeting, a copy of which shall be filed with the records of this meeting ("Series C Note Purchase and Credit Agreement") is hereby accepted.

The Series C-1 Purchaser has represented to the School District that it is purchasing the Series C-1 Notes for its own account and not with the present intent for further distribution or resale.

The Series C-2 Purchaser has represented to the School District that it is purchasing the Series C-2 Notes for its own account and not with the present intent for further distribution or resale.

Any Authorized Officer is hereby authorized to evidence the acceptance authorized hereunder by executing and delivering the Note Purchase and Credit Agreement to the Series C-1 Purchaser and the Series C-2 Purchaser in substantially the form presented to this meeting, with such changes therein as counsel may advise and the Authorized Officer executing the same shall approve, such execution being conclusive evidence of such Authorized Officer's approval.

Section 5. Rates of Interest. The Series C Notes shall bear interest at a variable rate equal to 67% of LIBOR (as defined in the Note Purchase and Credit Agreement), plus 76 basis points, as set forth in the Note Purchase and Credit Agreement and the Series C Notes.

Section 6. Pledge and Security Interest. As required by Section 8125 of the Act, the Series C Notes, together with the Series A/B Notes, shall be equally and ratably secured by a pledge of, security interest in, and lien and charge on, the taxes and revenues of the School District to be received from the date of issuance of the Series C Notes until the stated maturity date thereof, a certified estimate of the aggregate amount of such taxes and revenues being set forth in Exhibit "A" hereto. Notwithstanding the foregoing, the amounts irrevocably directed by the School District to be deposited on a daily basis directly into the School District's fixed rate general obligation bond sinking funds ("Daily Sinking Fund Deposits") are not subject to such pledge, security interest, lien and charge. The certified estimate of the aggregate amount of taxes and revenues to be received in the 2016 Fiscal Year set forth in Exhibit "A" does not include the Daily Sinking Fund Deposits.

Any Authorized Officer is hereby authorized and directed to prepare or cause to be prepared, on behalf of the School District, in favor of the Fiscal Agent, as secured party on behalf of the holders of the Series C Notes, appropriate financing statements and cause the filing of such financing statements in accordance with the Pennsylvania Uniform Commercial Code in order to perfect such pledge, security interest, lien and charge.

The holders of the Series C Notes shall have the right to enforce such pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the School District against all state and local public officials in possession of any such taxes and revenues at any time, which revenues and taxes may be collected directly from such officials upon notice by such holders for application to the payment of the Series C Notes, as and when due or for deposit in the Sinking Fund, at the times and in the amounts specified herein and in the Series C Notes, all in accordance with Section 8125 of the Act. The Fiscal Agent shall enforce such pledge, security interest and lien and charge on behalf of the holders of the Series C Notes, at the expense of the School District, in accordance with the provisions of this Resolution and the Act, including, without limitation, Section 8125 of the Act. The holders of the Series C Notes shall deliver their Series C Notes to the Fiscal Agent upon request of the Fiscal Agent in order to enable the Fiscal Agent to implement such enforcement.

Section 7. Form and Provisions.

(a) The forms and provisions of the Series C Notes shall be substantially as set forth in the forms of Series C Notes annexed hereto as Exhibit "C" and made a part hereof, which forms and provisions are hereby affirmed, approved and adopted.

(b) Each of the Series C-1 Notes shall be issued in fully registered form, registered to the Series C-1 Purchaser in minimum denominations of \$25,000,000 and integral multiples of \$5,000,000 in excess thereof.

(c) Each of the Series C-2 Notes shall be issued in fully registered form, registered to the Series C-2 Purchaser in minimum denominations of \$25,000,000 and integral multiples of \$5,000,000 in excess thereof

(d) Each of the Series C Notes shall be subject to prepayment prior to maturity in whole or in part as provided in such Series C Note and the Note Purchase and Credit Agreement.

Section 8. Registration and Transfer.

(a) The School District shall keep, at the designated corporate trust office of the Fiscal Agent (as defined herein), books for the registration, exchange and transfer of Series C Notes and hereby appoints the Fiscal Agent its registrar and transfer agent to keep such books and to make such registrations, exchanges and transfers under such regulations as the School District or the Fiscal Agent may prescribe and as set forth in the forms of the Series C Notes.

(b) The Series C Notes may be transferred upon the registration books upon delivery to the Fiscal Agent of the Series C Notes accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Fiscal Agent, duly executed by the registered owner of the Series C Notes to be transferred or its duly authorized attorney-in-fact or other legal representative, containing written instructions as to the details of the transfer of such Series C Notes. No transfer of any Note shall be effective until entered on the registration books maintained by the Fiscal Agent or its successor. In like manner Series C Notes may be exchanged by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representative for Series C Notes of authorized denomination or denominations in the same aggregate principal amount.

Section 9. Execution and Authentication of Series C Notes. The Series C Notes shall not be valid or obligatory in the hands of the holders thereof unless: (i) executed in the name and on behalf of the School District by the facsimile or manual signature of any member of the School Reform Commission, with the seal of the School District impressed, imprinted or otherwise reproduced thereon, attested by the facsimile or manual signature of the Secretary or Assistant Secretary or any member of the School Reform Commission; and (ii) authenticated by the manual signature of an authorized officer of the Fiscal Agent.

Section 10. Sinking Fund Depository and Fiscal Agent. The Bank of New York Mellon Trust Company, N.A., having a corporate trust office in Philadelphia, Pennsylvania, is hereby appointed Sinking Fund Depository and Fiscal Agent ("Fiscal Agent") to act as registrar and transfer agent, sinking fund depository, fiscal and paying agent for the Series C Notes. Any successor sinking fund depository and fiscal agent shall be a bank or national banking association with trust powers or a trust company. The Fiscal Agent's Agreement between the Fiscal Agent and the School District ("Fiscal Agent's Agreement") substantially in the form presented to this meeting, a copy of which shall be filed with the minutes of this meeting, is hereby approved. Any Authorized Officer is hereby authorized and directed to execute and deliver the Fiscal Agent's Agreement in substantially such form, with such changes therein as counsel may advise and the Authorized Officer executing the same shall approve, such execution being conclusive evidence of such Authorized Officer's approval.

Section 11. Sinking Fund. There is hereby established a sinking fund for the Series C Notes to be designated "The School District of Philadelphia, Pennsylvania, Tax and Revenue Anticipation Series C Notes, Series of 2015-2016 Sinking Fund" ("Sinking Fund"), to be held by the Fiscal Agent irrevocably in trust solely for the benefit of the holders of the Series C Notes. The Sinking Fund shall be held by the Fiscal Agent separate and apart from all other funds of the School District and the Fiscal Agent.

The School District hereby covenants, and the Treasurer, the Chief Operating Officer and the Deputy Chief Financial Officer of the School District are hereby jointly and severally authorized and directed, to pay to the Fiscal Agent for irrevocable deposit into the Sinking Fund on June 1, 2016 (the "Deposit Date"), the lesser of \$250,000,000 or the entire outstanding principal amount of, and interest due on the Series C Notes, on June 30, 2016 ("Debt Service Requirement").

The Fiscal Agent shall, no later than Noon, Philadelphia time, on June 2, 2016, determine whether the amount on deposit in the Sinking Fund is equal to the Debt Service Requirement. In the event that the Fiscal Agent determines that there is a deficiency in the Sinking Fund, it shall immediately, and in no event later than 3:00 p.m. on June 2, 2016, notify the School District of the amount of such deficiency. The School District hereby covenants, and the Treasurer, Chief Operating Officer and Deputy Chief Financial Officer of the School District are hereby authorized and directed, jointly and severally, to deposit an amount equal to such deficiency in the Sinking Fund no later than Noon, Philadelphia time, on June 3, 2016.

Failure of the School District to make payment in full when due on the final date specified for deposit in the preceding paragraph shall be cause for the immediate enforcement of the pledge, security interest, lien and charge granted in Section 8125 of the Act and in Section 6 hereof. The Fiscal Agent shall enforce such pledge, security interest, lien and charge as provided in Section 8125 of the Act, Section 6 hereof and in the Fiscal Agent's Agreement.

The School District shall have the right, as soon as the amount on deposit in the Sinking Fund is equal to the Debt Service Requirement, to withdraw from the Sinking Fund at such intervals as the School District shall direct in writing to the Fiscal Agent any amounts in excess of the Debt Service Requirement.

Section 12. Investment of Sinking Fund Moneys. At the written direction of the School District, the Fiscal Agent shall, to the extent not required for immediate payment of the Series C Notes, invest the moneys held in the Sinking Fund in: (i) direct obligations of the United States of America or obligations, the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America, and senior debt obligations rated, at the time of investment, "Aaa" by Moody's Investors Service and "AAA" by

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, issued by Fannie Mae or the Federal Home Loan Mortgage Corporation, senior debt obligations of the Federal Home Loan Bank System, and obligations of the Resolution Funding Corporation, which obligations are not guaranteed by the United States of America (collectively, "Government Obligations"); (ii) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, including, without limitation, any such investment company for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives fees from such funds for services rendered, (b) the Fiscal Agent charges and collects fees for services rendered pursuant to this Resolution, which fees are separate from the fees received from such investment companies; and (c) services performed for such investment companies and pursuant to this Resolution may at times duplicate those provided to such funds by the Fiscal Agent or its affiliates; provided, that the following are met: (1) investments of that company are only in the authorized investments listed in clause (i) in this Section 12 and Repurchase Agreements (hereinafter defined); (2) the investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (3) the investment company is rated at the time of investment in the highest category by a nationally recognized rating agency, or (iii) interest bearing deposits in any bank or bank and trust company or national banking association having a combined net capital and surplus in excess of \$100,000,000 (including the Fiscal Agent or any of its affiliates); provided that all such deposits shall, to the extent not insured by a federal agency or instrumentality, be secured as to principal by a pledge of Government Obligations. The Fiscal Agent, in purchasing Government Obligations, may make any purchase subject to agreement with the seller for repurchase of such Government Obligations at a later date, and in such connection may accept the seller's agreement for the payment of interest in lieu of the right to receive the interest payable by the issue of the Government Obligations purchased; provided that: (A) the seller is a bank or bank and trust company or national banking association having a combined net capital and surplus in excess of \$100,000,000 or a government securities dealer approved by the School District; and (B) such Government Obligations shall be pledged as hereinafter provided (such agreements are hereinafter referred to as "Repurchase Agreements").

Proper officers of the School District may direct the Fiscal Agent in writing to enter into agreements with providers approved by the School District for the forward purchase and delivery of Government Obligations.

All Government Obligations and interest bearing deposits shall mature or be subject to redemption at the option of the holder at not less than par or the purchase price therefor on or prior to the date fixed for payment of principal or interest on the Series C Notes. All Repurchase Agreements shall have a term no greater than thirty (30) days.

Any Government Obligations pledged as security for Repurchase Agreements shall be subject to a perfected first security interest in favor of the Fiscal Agent, free and clear of all claims of third parties and shall be: (i) in the case of direct obligations of the United States which can be pledged by a book-entry notation under regulations of the United States Department of the Treasury, appropriately entered on the records of a Federal Reserve Bank; or (ii) in the case of other Government Obligations, either (A) deposited with the Fiscal Agent or with a Federal Reserve Bank for the account of the Fiscal Agent, or (B) if the Government Obligation is shown on the account of the pledgor on the books of a clearing corporation, as defined in Division 8, Section 102(a) of the Pennsylvania Uniform Commercial Code (13 Pa. C.S.A. §8102(a)), by making appropriate entries evidencing the acquisition of a securities entitlement on the books of the clearing corporation as provided in Division 8, Section 501(b) of the Pennsylvania Uniform Commercial Code (13 Pa. C.S.A. §8501(b)). All Repurchase Agreements entered into by the Fiscal Agent, at the written direction of the School District, shall provide that the required ratio of the market value of the Government Obligations so purchased to the repurchase price thereof shall be 102% and shall further require the market value of all Government Obligations so purchased to be determined daily during the term of each Repurchase Agreement.

Section 13. Application of Sinking Fund Moneys. The Fiscal Agent shall apply the moneys, deposits and investments held in the Sinking Fund only to the payment of principal and interest due to the holders of the Series C Notes when the same become due and payable on June 30, 2016, in accordance with the Act and the provisions hereof. Payments from the Sinking Fund shall be applied first to interest and then to principal. When payment in full of the principal and interest due to the holders of the Series C Notes has been made from the Sinking Fund, any balance in the Sinking Fund shall be paid by the Fiscal Agent to the School District, at the written direction of the School District.

Section 14. Intercept Agreement. Any of the Authorized Officers are authorized and directed to execute, to attest, to seal, to acknowledge and to deliver, as applicable, the Intercept Agreement, in substantially the form attached hereto as Exhibit "D" and made a part hereof and approved hereby, with such changes therein as counsel may advise and as the Authorized Officers executing the same shall approve, the execution of which shall be conclusive evidence of such authorization and approval.

Section 15. Acts of the Fiscal Agent. The Fiscal Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of counsel concerning all questions hereunder. The Fiscal Agent may rely and shall be protected in acting on any notice, telegram, request, consent, waiver, certificate, statement, affidavit or other document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Resolution; the Fiscal Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement. The Fiscal Agent shall not be answerable for the exercise of any discretion or power hereunder, except only its own willful misconduct or negligence.

Section 16. Covenants in Respect of Federal Tax Laws. The School District hereby covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the holders of the Series C Notes of the interest on the Series C Notes under Section 103 of the Code and the regulations promulgated thereunder. The School District hereby further covenants that it will not directly or indirectly use or permit the use of any proceeds of the Series C Notes or any

other funds of the School District, or take or omit to take any action that would cause the Series C Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and that it will comply with all requirements of Section 148 of the Code to the extent applicable to the Series C Notes. In the event that at any time the School District is of the opinion that for purposes of this Section 15 it is necessary to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent, the School District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary to comply with such instructions.

Without limiting the generality of the foregoing, the School District shall pay or cause to be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series C Notes from time to time. This rebate obligation shall survive payment in full or defeasance of the Series C Notes.

Section 17. Series C Notes to be General Obligations of the School District. The Series C Notes shall be general obligations of the School District and, if the same shall not be paid within the fiscal year in which they are issued, shall be deemed to be non-electoral debt of the School District enforceable in the manner of a general obligation which, unless funded pursuant to the Act, shall be included in the budget of the School District for the ensuing fiscal year and shall be payable from the taxes and revenues of such ensuing fiscal year, as required by the Act.

Section 18. Continuing Disclosure Agreements. The School District hereby covenants that it shall continue to comply with its continuing disclosure agreements in effect relating to the debt of the School District incurred under the Act so long as the Series C Notes remain outstanding under the Act.

Section 19. Amendment to Resolution SRC-1 adopted July 1, 2015. Resolution SRC-1 adopted by the School Reform Commission on July 1, 2015 is hereby amended as follows:

The reference to "June 30, 2015" in Section 11 is amended to "June 30, 2016."

Section 20. Ratification of Prior Action. All actions heretofore taken and all documents heretofore prepared by all officers of the School District in connection with the Series C Notes and other matters contemplated hereby are hereby ratified, confirmed and adopted.

Section 21. Resolution and Act a Contract; Amendment. This Resolution and the Act as in force on the date hereof shall constitute a contract between the School District and the registered owners from time to time of the Series C Notes. Said contract may be modified without the consent of said registered owners insofar as any such modification does not adversely affect their rights as such, and in other respects it may be modified with the consent of the registered owners of not less than one hundred percent (100%) in principal amount of the Series C Notes then outstanding. If and for so long as a securities depository is the sole registered owner of the Series C Notes, any amendment that would otherwise require the consent of registered owners shall require the consent of the beneficial owners of not less than one hundred percent (100%) in principal amount of the Series C Notes then outstanding.

Section 22. Appointment of Bond Counsel and Financial Advisor.

(a) The law firm of Eckert Seamans Cherin & Mellott, LLC of Philadelphia, Pennsylvania is hereby appointed Bond Counsel in connection with the Series C Notes.

(b) The financial advisory firm of Phoenix Capital Partners LLP of Philadelphia, Pennsylvania, is hereby appointed Financial Advisor with respect to the Series C Notes.

Section 23. Further Action. The members of the Commission and the Authorized Officers are hereby jointly and severally authorized and directed to take or cause to be taken such further action and to prepare, execute and file such documents and instruments as they may consider necessary or appropriate to implement the purposes of this Resolution, the Note Purchase and Credit Agreement, the Intercept Agreement and the Fiscal Agent's Agreement and the issuance of the Series C Notes.

Section 24. Filing with the Pennsylvania Department of Community and Economic Development. Any of the Authorized Officers are hereby authorized and directed to cause the filing of a certified copy of this Resolution, the certificate as to the taxes and revenues remaining to be collected and true copies of the Note Purchase and Credit Agreement with the Pennsylvania Department of Community and Economic Development, as required by Section 8128 of the Act.

Section 25. Headings. Headings used in this Resolution are for the ease of reference only and do not form a part hereof.

Section 26. Repeals. All resolutions and parts of resolutions, to the extent the same are inconsistent herewith, are hereby rescinded and repealed.

Section 27. Effective Date. This Resolution shall be effective immediately, this 2nd day of November, 2015.

The vote was as follows:

Yeas: Mr. Green, Ms. Houstoun, Ms. Jimenez, Ms. Simms, Chair Neff – 5

Nays: 0

**A complete copy of resolution SRC-1 with exhibits is on file with the minutes of the School Reform Commission.*

SRC-2

Authorization to Transfer Capital Projects Funds for Operating Expenses

WHEREAS, the Pennsylvania Constitution requires the Commonwealth of Pennsylvania to enact and approve an operating budget by June 30th each year for the fiscal year beginning on July 1st of such year; and

WHEREAS, the General Assembly and the Governor have to date not reached an agreement on the Commonwealth operating budget and remain at an impasse; and

WHEREAS, this budget impasse has prevented funding due from the Commonwealth to be appropriated and paid to the School District of Philadelphia (“School District”) and all other school districts in the Commonwealth; and

WHEREAS, the School District, as an independent home rule school district of the first class, has the power and authority to make temporary advances to its operating fund in anticipation of receipt of revenues, from unexpended balances in its capital funds not needed for immediate expenditure; provided, such advances do not adversely affect the tax status of the obligations which provided such funds advanced; and further provided that such advances are repaid in full by June 30, 2016, now be it

RESOLVED, that the School Reform Commission authorizes the School District through the Superintendent, or his designee, to temporarily advance to the School District’s operating fund, an amount of up to \$40,000,000 from the School District’s Capital Projects Fund, 8A15- General Obligation Bonds, Series A of 2015, such funds to be used for the payment of operating expenses of the School District, such temporary advances to be repaid in full to the Capital Projects Fund not later than June 30, 2016.

In response to Commissioner Green, Erin Davis, Deputy Chief Financial Officer, stated that the \$40 million are in liquid accounts that are invested in limited investment vehicles. She stated that the District currently has approximately \$50 million from the last borrow done in the Spring, which have not yet been encumbered for Capital Projects being planned. She confirmed that the District has funds available should an emergency similar to Solis-Cohen arise. Ms. Davis stated that resolution SRC-2 represents authorization only and that the District will come before the SRC if it is absolutely necessary to draw from Capital funds. She also stated that there are other funds available to keep current capital projects on pace. The Capital funds will be replenished when operating funds become available.

The vote was as follows:

Yeas: Mr. Green, Ms. Houstoun, Ms. Jimenez, Ms. Simms, Chair Neff – 5

Nays: 0

II. EDUCATION SUPPORT SERVICES

None Submitted

III. EDUCATION SERVICES

None Submitted

Chair Neff announced that the public hearing before the School Reform Commission of The School District of Philadelphia on the recommended nonrenewal of Universal Bluford Charter School's charter has been completed. She stated that formal action on the recommended nonrenewal shall be taken by the SRC at a future public meeting. Chair Neff stated that the public has thirty (30) days to provide comments to the SRC, beginning on Tuesday, November 3, 2015 until Friday, December 4, 2015. Comments may be submitted in writing, addressed to the SRC, Suite 101, 440 N. Broad Street, Philadelphia, PA 19130, or by email, addressed to SRC@philasd.org. She stated that all comments received will be made part of the record of the nonrenewal hearing.

Chair Neff We thanked the School District’s financial advisor, Andre Allen from Phoenix Capital, Joan Stern and Robert Tuteur from Eckert Seamans as bond counsel, Tony Griffith and Kelly Parden from Bank of America, as well as Jeffrey Hutchinson from PNC Bank for their fine work on behalf of the School District. She also thank our Chief Operating Officer Fran Burns, our Deputy CFO Erin Davis, and their team for their continued efforts.

On motion, the meeting was adjourned at 10:37 a.m.

Marjorie G. Neff, Chair
School Reform Commission

William R. Hite, Jr.
Superintendent