

Montara Water and Sanitary District

Serving the Community of Montara and Moss Beach

P.O. Box 370131
8888 Cabrillo Hwy
Montara, CA 94037-0131
t: 650.728.3545 • f: 650.728.8556

To sensitively manage the natural resources entrusted to our care, to provide the people of Montara - Moss Beach with reliable, high – quality water, wastewater, and trash disposal at an equitable price, and to ensure the fiscal and environmental vitality of the district for future generations. Be open to providing other services desired by our community.

AGENDA

Regular Meeting

District Board of Directors

8888 Cabrillo Highway
Montara, California 94037

October 15, 2015 at 7:30 p.m.

(Regular Meeting)

CALL TO ORDER

ROLL CALL

PRESIDENT'S STATEMENT

ORAL COMMENTS (Items other than those on the agenda)

PUBLIC HEARING

CONSENT AGENDA

OLD BUSINESS

1. Review and Possible Action Concerning PARS Investment Strategy.

REPORTS

2. Sewer Authority Mid-Coastside Meetings (Harvey)
3. MidCoast Community Council Meeting (Slater-Carter)
4. CSDA Report (Slater-Carter)

5. CCWD, NCCWD Committee Report (Harvey, Huber)
6. Attorney's Report (Schricker)
7. Directors' Reports
8. General Manager's Report (Heldmaier)

FUTURE AGENDAS

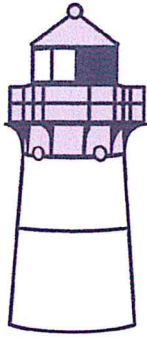
CONVENE IN CLOSED SESSION

PUBLIC EMPLOYEE EVALUATION (Gov't. Code §54957)

ADJOURNMENT

The District has a curfew of 11:00 p.m. for all meetings. The meeting may be extended for one hour by vote of the Board.

NOTE: In accordance with the Government Code, members of the public may address the Board on specific agenda items when that matter is discussed by the Board. Any other items of interest that is within the subject matter jurisdiction of the District may be addressed during the Oral Comments portion of the meeting. Upon request, this agenda will be made available in appropriate alternative formats to persons with a disability. Request for a disability-related modification or an accommodation in order to participate in the public meeting should be made at (650) 728-3545. Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available in the District Clerk's office during normal business hours. Such documents may also be available on the District's web site (www.mwsd.montara.org) subject to staff's ability to post the documents before the meeting.



MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **October 15, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A blue ink handwritten signature, appearing to be 'Clemens Heldmaier', written in a cursive style.

**SUBJECT: Review and Possible Action Concerning PARS
Investment Strategy.**

At the September 3 meeting the Board chose to work in the first year with HighMark and selected a passive index fund composition of 90% stocks, 10% bonds with an applied discount rate of 5.5% for the PARS plan. Unfortunately, Highmark does not offer a portfolio with the specific composition.

The closest available option is HighMark's passively managed Capital Appreciation Strategy that offers up to 85% stocks, 15% bonds. Generally, the portfolio works with a range that targets a 75%:25% ratio of stocks and bonds.

The actuarial was asked to prepare a final actuarial evaluation for the Highmark passive Capital Appreciation Strategy with a 5.5% discount rate. The actuarial has now provided a final evaluation that shows the Board selected discount rate, however, Actuarial and PARS recommend a discount rate of 6.5% for the Capital Appreciation Strategy. Upon receipt of the evaluation the Board can change its decision on selection of discount rate.

At the October 1 meeting the Board asked that Forester Financial provide an alternate proposal for the Board's consideration. Forester Financials has indicated that they are not able to provide an alternative proposal.

If the Board agrees with staff recommendation, no further steps are required for the plan implementation. Should the Board select a different Strategy and/or discount rate, an additional actuarial analysis is required and can be received at the November 3 meeting.

After receipt of final Agreements with PARS the packet can be signed by the manager and the plan be implemented retroactively starting July 1. At a subsequent meeting the Board will be asked to review the salary schedule and consider a salary increase for all full time employees starting July 1.

RECOMMENDATION:

Review the actuarial evaluation and confirm the passively managed Capital Appreciation Strategy, and change the discount rate to 6.5%.

Attachments

RESOLUTION NO. 1593

RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT APPROVING AND ADOPTING PUBLIC AGENCY RETIREMENT SYSTEM TRUST AND DEFINED BENEFIT PLAN AND APPOINTING GENERAL MANAGER AS PLAN ADMINISTRATOR

WHEREAS, this Board has determined that it is in the best interest of the Montara Water and Sanitary District ("District") and its employees to provide a defined benefit plan for eligible employees; and

WHEREAS, the District is eligible to be a member of the Public Agency Retirement System ("PARS") Trust, which has made available a defined benefit plan qualifying under the relevant sections of the Internal Revenue Code and the California Government Code;

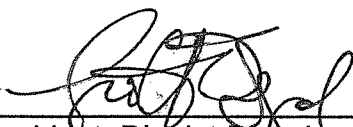
NOW THEREFORE, BE IT RESOLVED BY THE BOARD, MONTARA WATER AND SANITARY DISTRICT, A PUBLIC AGENCY IN THE COUNTY OF SAN MATEO, CALIFORNIA, AS FOLLOWS:

1. The PARS Trust, including the Montara Water and Sanitary District PARS Defined Benefit Plan ("Plan") is hereby approved and adopted effective July 1, 2015.

2. Pursuant to Internal Revenue Code Section 414(h)(2) this Board hereby authorizes the District to "pick up" employee contributions to the Plan on behalf of Plan participants.

3. The General Manager or his/her successor or his/her designee is hereby appointed as the District's Plan Administrator.

4. The District's Plan Administrator is hereby authorized and directed to execute all necessary or appropriate documents on behalf of the District to maintain the District's participation in the PARS Trust and implement the Plan and to take such additional actions likewise necessary or appropriate to maintain PARS' compliance with pertinent regulations issued or as may be issued in administering the Plan.




President, District Board
Montara Water and Sanitary District

RESOLUTION NO. 1593

RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT APPROVING AND ADOPTING PUBLIC AGENCY RETIREMENT SYSTEM TRUST AND DEFINED BENEFIT PLAN AND APPOINTING GENERAL MANAGER AS PLAN ADMINISTRATOR

COUNTERSIGNED:



Secretary, Montara Water and Sanitary District


* * * *

I HEREBY CERTIFY that the foregoing Resolution No. 1593 was duly and regularly adopted and passed by the Board of the Montara Water and Sanitary District, San Mateo County, California, at a Regular Meeting thereof held on the 16th day of July 2015, by the following vote:

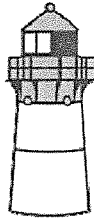
AYES, Directors: Harvey, Boyd, Wilson and Huber

NOES, Directors: Slater-Carter

ABSENT, Directors: None



Secretary, Montara Water and Sanitary District



**MONTARA WATER AND SANITARY DISTRICT
PARS RETIREMENT PLAN**

BARTEL
ASSOCIATES, LLC

June 30, 2015 Actuarial Valuation

Presented by **Mary Elizabeth Redding, Vice President & Actuary**
Prepared by Katherine Moore, Associate Actuary
John Bartel, President, Reviewing Actuary
Bartel Associates, LLC

September 29, 2015

CONTENTS

<u>Topic</u>	<u>Page</u>
Definitions	1
Benefit Summary	2
Data Summary	3
Actuarial Assumptions and Methods	4
Discount Rate	7
Funding Results	9
Actuarial Certification	11

DEFINITIONS

■ PVPB – Present Value of all Projected Benefits

- Expected benefit payments modeled based on:
 - Plan benefit provisions
 - Current employee/retiree population
 - Actuarial assumptions: Retirement/termination, future salary increases, longevity
 - Discounted to measurement date using discount rate (rate invested assets are expected to earn in the long-term future).

■ AAL – Actuarial Accrued Liability

- Discounted value at measurement date (valuation date) of benefits “earned” through measurement date
- \$0 for District since no past service counted for benefits.

■ NC – Normal Cost

- Value of benefits “earned” during year after measurement date
- Benefits “earned” in proportion to expected payroll over employee’s working lifetime.



September 29, 2015

1



BENEFIT SUMMARY

■ Eligibility	■ Age 62 with 5 years District service
■ Retirement Benefit	■ 2% x Final Pay x benefit service payable at 62 ■ Final Pay is highest average 36 months limited to PEPRA limit (\$117,020 in 2015)
■ Service	■ Benefit service is years with District after 7/1/15
■ Death Benefits	■ After 5 years District service – spousal benefit
■ Termination	■ Refund of employee contributions with 3% interest, or ■ Deferred formula benefit calculated at termination
■ Disability	■ Same as termination
■ Employee Contributions	■ ½ of Normal Cost. ■ Calculated as % of pay up to PEPRA pay limit. ■ Will depend on discount rate and other actuarial assumptions. ■ Recalculated in each actuarial valuation
■ Service Buy-Back	■ Employees may purchase credit for District service before 7/1/2015 by paying the full actuarial cost.
■ COLA	■ 2% increases per year after retirement
■ Benefit Form	■ Single life annuity, spousal continuation benefits paid by retiree



September 29, 2015

2



DATA SUMMARY

Participant Statistics

	6/30/14
■ Actives	
• Count	7
• Average Age	43.9
• Average District Service	5.9
• Average Benefit Service	0.0
• Total Payroll	\$539,000



September 29, 2015

3



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2015 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2015 ■ Determines contributions for fiscal years 2015/16 & 2016/17
■ Investments	<ul style="list-style-type: none"> ■ Highmark's passively managed Capital Appreciation portfolio
■ Discount Rate	<ul style="list-style-type: none"> ■ 6.5% based on Capital Appreciation Fund ■ Net of investment expenses ■ 5.5% selected by Board
■ Payroll Increase	<ul style="list-style-type: none"> ■ Merit Increases – CalPERS 1997-2011 Experience Study ■ Aggregate payroll increase – 3.25%
■ Mortality, Withdrawal, Disability and Retirement	<ul style="list-style-type: none"> ■ CalPERS 1997-2011 Experience Study ■ Mortality projected fully generational with Scale MP2014



September 29, 2015

4



ACTUARIAL METHODS

Method	June 30, 2015 Valuation
■ Actuarial Cost Method	■ Entry Age Normal
■ Administrative Expenses	■ Allowance for administrative expense, if paid from Trust assets, to be added to actuarially determined contribution. Assumed \$0 for fiscal years 15/16 and 16/17 (i.e., all costs paid by District)
■ Future New Entrants	■ Closed group, no new hires
■ Employer Accounting	■ Governed by GASB Statement 68, first applicable for the District 6/30/16. Accounting results will differ from those in this funding report.



ACTUARIAL METHODS

This page intentionally blank



DISCOUNT RATE

Asset Allocation

	Target Allocation of PARS Fund
	Capital Appreciation
■ Equity	75%
■ Fixed Income	20%
■ Cash	5%
■ Total	100%



September 29, 2015



DISCOUNT RATE

Discount Rate Development

	PARS Fund: Capital Appreciation	
	50%	55%
Confidence Level¹	50%	55%
■ Expected Return	7.69%	7.35%
■ Investment Expenses ²	<u>0.80%</u>	<u>0.80%</u>
■ Net Return after Expenses	6.89%	6.55%
■ Recommended Discount Rate		6.50%

¹ Based on 5000-trial stochastic modeling, the long-term average return is expected to be equal or higher than the amount shown 50% or 55% of the time.

² Assumes passive investment strategy.



September 29, 2015



FUNDING RESULTS

Actuarial Obligations

	6/30/15 Valuation	
	6.5% (Capital Appreciation Fund)	5.5% (Board Selected Rate)
■ Discount Rate		
■ Present Value of Benefits		
• Active Employees	\$ 849,004	\$ 1,167,070
• Retirees	<u>0</u>	<u>0</u>
• Total	849,004	1,167,070
■ Actuarial Accrued Liability		
• Total	0	0
■ Actuarial Value of Assets	<u>0</u>	<u>0</u>
■ Unfunded AAL	0	0
■ Funded Ratio	N/A	N/A
■ Employer Normal Cost (middle of year payment)	41,862	51,436



FUNDING RESULTS

Annual Actuarially Determined Contribution (ADC)

	6/30/15 Valuation for 15/16 and 16/17 Contributions	
	6.5% (Capital Appreciation Fund)	5.5% (Board Selected Rate)
■ Discount Rate		
■ ADC - \$		
• Normal Cost (Employer)	\$ 41,862	\$ 51,436
• Administrative expenses paid from Trust	<u>0</u>	<u>0</u>
• Total	41,862	51,436
■ Projected Payroll (unlimited)	539,132	539,132
■ Employee Contribution Rate (% of PEPRA-limited pay)	8.25%	10.25%
■ Total Employer Cost (% total pay)	7.76%	9.54%



ACTUARIAL CERTIFICATION

This report presents the Montara Water and Sanitation District PARS Retirement Plan ("Plan") June 30, 2015 actuarial valuation. The purpose of this valuation is to:


- Determine the Plan's June 30, 2015 Funded Status, and
- Calculate the fiscal years 2015/16 and 2016/17 Actuarially Determined Contributions for purposes of Plan funding.

The information in this report may not be appropriate for purposes other than Plan funding but may be useful to the District for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the District as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



Mary Elizabeth Redding, FSA, MAAA, EA
Vice President
Bartel Associates, LLC
September 29, 2015



Katherine Moore, ASA, MAAA
Associate Actuary
Bartel Associates, LLC
September 29, 2015



September 29, 2015



July 27, 2015

Mr. Clemens H. Heldmaier
General Manager
Montara Water and Sanitary District
8888 Cabrillo Highway
Montara, CA 94037

Dear Mr. Heldmaier:

Enclosed you will find the documents required for implementation of the defined benefit Montara Water and Sanitary District PARS Defined Benefit Plan. Please complete and return the documents as outlined below:

Trust Agreement (Please keep this document for your files)

The PARS Trust is a multiple employer trust originally established by Huntington Beach City School District and State Center Community College District. The Trust Agreement provides in Section 2.4 that any other employer "may, by action of its governing body in a writing accepted by the Trustee, adopt the provisions of the PARS Trust Agreement as the trust portion of a qualified governmental retirement plan established for the benefit of its employees".

The Trust Agreement provides for the administration of the assets of many plans and is therefore relatively general in nature, laying out the broad powers and duties of the Trustee with respect to plans in general.

Adoption Agreement to the PARS Trust Agreement (3 copies-Please return all signed originals to our office)

The Adoption Agreement to the PARS Trust Agreement is required for the official adoption of the PARS Trust Agreement and is only valid with the Board appointed Plan Administrator's signature. Upon review, please sign, date, and return all three signed originals to our office. An original will be returned upon execution by all parties.

Plan Document (2 copies-Please return 1 signed original to our office)

The Plan Document outlines the terms of the Montara Water and Sanitary District PARS plan that include plan provisions and benefit levels. Upon review, please sign, date, return one copy to our office and retain one for your records.

Agreement for Administrative Services (2 copies-Please return both signed originals to our office)

The Agreement for Administrative Services outlines the services that are provided, billing practices, and fee schedule associated with the Public Agency Retirement Services. Upon review, please sign, date, and return both copies to our office. I'll return a fully executed copy to your attention.

4350 Von Karman Ave., Ste. 100
Newport Beach, CA 92660-2043
800.540.6369
fax 800.660.8057
www.pars.org

Mr. Clemens H. Heldmaier
July 27, 2015
Page 2 of 2

U.S. BANK TRUSTEE FORMS

Investment Strategy Selection (1 copy-Please return signed original to our office)

This document states that the Montara Water and Sanitary District has selected the specific investment strategy indicated on the form. U.S. Bank, as investment manager of the plan, will invest plan assets in accordance with this selection.

Fee Schedule (1 copy-Please return signed original to our office)

This document discloses fees charged by U.S. Bank for trustee services as well as investment management services provided by its subadvisor, HighMark Capital Management, Inc., a registered investment advisor.

HighMark Mutual Fund Disclosure Statement (1 copy-Please return signed original to our office)

This document discloses fees earned by U.S. Bank and HighMark Capital Management, Inc. for its services as custodian and investment adviser to the Fund and acknowledges your receipt of the accompanying Mutual Fund Prospectus

U.S. Bank Customer Identification Program Disclosure/Investment Related Disclosures (1 copy-Please keep this document for your files)

U.S. Bank Authorized Signature Form (1 copy-Please complete and return original to our office)

U.S. Bank is required to have an authorized signer/specimen signature form on file. As Plan Administrator, please sign and date where indicated, include additional authorized signers, if any, and return the completed form to our office.

W-9 Request for Taxpayer Identification Number and Certification

The Trustee is required to have on record a completed Form W-9. Please return the completed form to our office.

If you have any questions regarding the enclosed materials please feel free to contact me by telephone at (800) 540-6369 extension 132 or by email at svolcan@pars.org.

Sincerely,



Shauna Volcan
Vice President, Plan Implementation
Public Agency Retirement Services

**PUBLIC AGENCY
RETIREMENT SYSTEM (PARS)
TRUST AGREEMENT**

**ACCOUNT IS ENTERED INTO BY CLIENT
AND U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE**

This document is entered into by U.S. Bank National Association ("U.S. Bank"), as trustee. U.S. Bank succeeded Union Bank, N.A. as the trustee on February 1, 2012. All references in this document and all account related documents to Union Bank of California, N.A. and/or Union Bank, N.A. ("Union Bank"), are replaced with U.S. Bank.

PREAMBLE

The Huntington Beach City School District and State Center Community College District formed and adopted the Public Agency Retirement System Trust ("PARS Trust") on July 1, 1991 ("Effective Date"). Subsequent to the Effective Date other California public agencies adopted the PARS Trust as the funding vehicle for tax qualified retirement plans for employees. Subsequent to the Effective Date the PARS Trust was amended. Effective as of July 1, 1999 ("Amended Effective Date") the PARS Trust was amended and restated in its entirety as contained herein. This amended and restated Trust shall supersede all prior versions of the PARS Trust as of the Amended Effective Date.

TABLE OF CONTENTS

ARTICLE	PAGE
ARTICLE I DEFINITIONS	3
ARTICLE II THE PARS TRUST PROGRAM	4
ARTICLE III ADMINISTRATIVE MATTERS	7
ARTICLE IV THE TRUSTEE	12
ARTICLE V INVESTMENTS	18
ARTICLE VI FIDUCIARY RESPONSIBILITIES	25
ARTICLE VII AMENDMENT, TERMINATION AND MERGER	28
ARTICLE VIII MISCELLANEOUS PROVISIONS	30
ARTICLE IX ACKNOWLEDGMENT AND ACCEPTANCE	32

Article I

DEFINITIONS

- 1.1 "Act" shall mean California Government Code Sections 53215 - 53224, or their successor sections.
- 1.2 "Agreement for Administrative Services" shall mean the agreement executed between the Member Agency and the Trust Administrator which authorizes the Trust Administrator to perform specific duties of administering the Member Agency Plan and related Agency Trust.
- 1.3 "Amended Effective Date" shall mean July 1, 1999, the date the PARS Trust Agreement was amended and restated in its entirety.
- 1.4 "Assets" shall mean all contributions and transfers of assets received by an Agency Trust on behalf of a Member Agency's Plan, together with the income and earnings from such contributions and transfers and any increments accruing to them.
- 1.5 "Agency Trust" shall mean the legally separate and individual trust, whose provisions are identical to those of the PARS Trust Agreement, that is established by a Member Agency when it adopts the PARS Trust by executing an Adoption Agreement.
- 1.6 "Alternate Trustee" shall mean a trustee, other than the Trustee of the PARS Trust Program, appointed by a Member Agency to serve as a trustee of a portion of such Agency Trust's assets as to which the Trustee serves as custodian.
- 1.7 "Code" shall mean the Internal Revenue Code of 1986 as amended from time to time.
- 1.8 "Custodian" shall mean Union Bank of California, N.A. whose duties are limited to those specified in Section 4.3.
- 1.9 "Delegatee" shall mean an individual or entity, appointed by the Plan Administrator or Member Agency to act in such matters as are specified in the appointment.
- 1.10 "Effective Date" shall mean July 1, 1991, the date the PARS Trust Program was established.
- 1.11 "Investment Fiduciary" shall mean the fiduciary with the authority and duty to direct the investment and management (including the power to direct the

acquisition and disposition) of some or all of the Assets of the Agency Trust appointed by a Member Agency for its Agency Trust.

- 1.12 "Omnibus Account" shall mean an account, established for record keeping purposes only, to commingle the Assets of the Agency Trust.
- 1.13 "Member Agency" shall mean a California public agency that adopts the provisions of the PARS Trust Agreement.
- 1.14 "Plan" shall mean the tax qualified plan whose assets the Agency Trust holds.
- 1.15 "Plan Administrator" shall mean the individual designated by position of employment at the Member Agency to act on its behalf in all matters relating to the Member Agency's participation in the PARS Trust Program and Agency Trust.
- 1.16 "PARS Trust Agreement" or "Trust Agreement" shall mean the pro forma Public Agency Retirement System trust document adopted by each Member Agency upon execution of an Adoption Agreement, as amended from time to time.
- 1.17 "PARS Trust Program" shall mean the Public Agency Retirement System trust arrangement.
- 1.18 "Participant" shall mean individual participating in a Member Agency Plan or that individual's beneficiary.
- 1.19 "Trust Administrator" shall mean Phase II Systems.
- 1.20 "Trustee" shall mean the entity appointed as trustee of the PARS Trust that shall also serve as trustee of each Agency Trust established pursuant to the provisions of this trust agreement except where an Alternate Trustee has been appointed.

Article II

THE PARS TRUST PROGRAM

2.1 Multiple Employer Trust

The PARS Trust Program is a multiple employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that adopt it to hold the assets of their Member Agency Plans maintained for the benefit of their employees. The PARS Trust Program consists of the Agency Trusts adopted and not terminated by Member Agencies.

2.2 Qualified Governmental Retirement Trust

The PARS Trust Program is established pursuant to the provisions of Section 501 of the Internal Revenue Code of 1986, as amended (the "Code"), and California Government Code Sections 53215 through 53224 providing for pension trusts established by public agencies.

2.3 Date of Adoption

The date as of which each Member Agency adopts the PARS Trust Program shall be the "Effective Date" of the PARS Trust Agreement and the Agency Trust, as defined in Section 2.5, as to that Member Agency.

2.4 Member Agencies

Any California public agency may, by action of its governing body in a writing accepted by the Trustee, adopt the provisions of the PARS Trust Agreement as the trust portion of a qualified governmental retirement plan established for the benefit of its employees. Executing an adoption instrument for the PARS Trust Program ("Adoption Agreement"), attached hereto as Exhibit "A", shall constitute such adoption, unless the Trustee requires additional evidence of adoption. In order for such adoption to be effective, the public agency must also execute an Agreement for Administrative Services with Phase II Systems, the Trust Administrator, pursuant to section 3.6 of this PARS Trust Agreement. Such adopting employer shall then become a Member Agency of the PARS Trust Program.

Each such Member Agency shall, at a minimum, furnish the Trust Administrator with the following documents to support its adoption of the PARS Trust Program:

- (a) a certified copy of the Member Agency governing body resolution authorizing the adoption of the PARS Trust Agreement and the appointment of an individual designated by position of employment at the Member Agency to act on its behalf in all matters relating to the Member Agency's participation in the PARS Trust Program and Agency Trust ("Plan Administrator");
- (b) an original of the Adoption Agreement executed by the Plan Administrator or other duly authorized Member Agency employee;
- (c) an original of the Agreement for Administrative Services with Phase II Systems executed by the Plan Administrator or other duly authorized Member Agency employee and Phase II Systems;
- (d) an address notice; and

(e) such other documents as the Trustee may reasonably request.

2.5 Agency Trust

By adopting the PARS Trust Agreement, as provided in Section 2.4, a Member Agency shall be deemed to have adopted a legally separate and individual Agency Trust whose provisions are identical to those of the PARS Trust Agreement. The Assets of an Agency Trust shall be available only to pay benefits pursuant to the provisions of the Plan to participants and beneficiaries of the Member Agency entitled to receive benefits under the provisions of the Plan. The Agency Trust is created for the purpose of receiving contributions made to fund the Member Agency's Plan; accumulating, managing and investing those contributions; and providing benefits to active or retired participants of the Plan, their joint annuitants, or their beneficiaries. Each Agency Trust shall be used to fund only a single Plan maintained by the Member Agency. A Member Agency may establish additional Agency Trusts to fund the assets of additional Plans by executing one or more additional Adoption Agreement(s).

2.6 Assets of Agency Trust

The assets of the Agency Trust shall consist of all contributions and transfers received by the Agency Trust on behalf of the Member Agency's Plan, together with the income and earnings from such contributions and transfers, and any increments accruing to them ("Assets"). All contributions or transfers shall be received by the Trustee in cash or in other property acceptable to the Trustee. The Trustee shall manage and administer the Assets of the Agency Trust without distinction between principal and income. The Trustee and the Trust Administrator shall have no duty to compute any amount to be transferred or paid to the Agency Trust by the Member Agency and the Trustee and the Trust Administrator shall not be responsible for the collection of any contributions or transfers to the Agency Trust.

2.7 Commingling for Investment and Administration

The Assets of more than one Agency Trust may be commingled by the Trustee or Investment Fiduciary in one or more Omnibus Accounts for investment and administrative purposes, to provide economies of scale and efficiency of administration to the Agency Trusts. The responsibility for Plan level accounting within this Omnibus Account(s) shall be that of the Trust Administrator.

2.8 Trustee Accounting

The Trustee shall be responsible only for maintaining records and maintaining accounts for the aggregate assets of the PARS Trust Program. The

responsibility for Plan level accounting for each Agency Trust, based upon the Omnibus Account(s), shall be that of the Trust Administrator.

2.9 No Diversion of Assets

The Assets in each Agency Trust shall be held in trust for the exclusive purpose of providing benefits to the Participants of the Plan for which the Agency Trust is holding assets and defraying the reasonable expenses of such Plan. The Assets shall not be used for or diverted to, any other purpose.

2.10 Type and Nature of Trust

Neither the full faith and credit nor the taxing power of each Member Agency, the State of California or any political subdivision thereof other than each Member Agency is pledged to the distribution of benefits hereunder. Except for contributions and other amounts hereunder, no other amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of any Member Agency, but are payable solely from the Assets of each Agency Trust, as more fully described herein. No employee of any Member Agency or beneficiary may compel the exercise of the taxing power by any Member Agency.

Distributions of Assets under any Agency Trust are not debts of any Member Agency, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. Such distributions are not legal or equitable pledges, charges, liens or encumbrances, upon any of a Member Agency's property, or upon any of its income, receipts, or revenues, except amounts in the accounts which are, under the terms of each Plan, Agency Trust and the Act, set aside for distributions. Neither the members of the legislative body of any Member Agency nor its officers, employees, agents or volunteers are liable hereunder.

Article III

ADMINISTRATIVE MATTERS

3.1 Appointment of Trustee

Two thirds or more of the Member Agencies acting jointly, may by a two-thirds or greater vote, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by California law, to serve as the trustee of the PARS Trust Program ("Trustee"). Such action must be in writing. Upon the written acceptance of such entity it shall become the Trustee of the PARS Trust Program and, subject to the provisions of Section 3.10, the trustee of each Agency Trust. By executing an Adoption Agreement, the adopting Member

Agency hereby appoints the Union Bank of California, N.A. as the Trustee as of the Amended Effective Date.

3.2 Removal of Trustee

Two thirds or more of the Member Agencies acting jointly, may by a vote of two - thirds or greater, act to remove the Trustee. Such action must be in writing and delivered to the Trustee and the Trust Administrator. Upon such removal from the PARS Trust the Trustee shall also be removed as trustee of each of the Agency Trusts. The Plan Administrator may remove the Trustee as trustee of an Agency Trust by giving at least ninety (90) days prior written notice to the Trustee and the Trust Administrator and withdrawing from the PARS Trust Program.

3.3 Resignation of Trustee

The Trustee may resign as trustee of the PARS Trust Program at any time by giving at least ninety (90) days prior written notice to the Trust Administrator and to each Plan Administrator of each Member Agency that has adopted the PARS Trust Agreement and not terminated its participation in the PARS Trust Program. Such resignation shall also be deemed a resignation as trustee of each of the Agency Trusts. The Trustee may resign as trustee of an Agency Trust by giving at least ninety (90) days written notice to the Plan Administrator of such Agency Trust and to the Trust Administrator. The Member Agency's appointment of a successor trustee to the Agency Trust will vest the successor trustee with title to the Assets of its Agency Trust upon the successor trustee's acceptance of such appointment.

3.4 The Plan Administrator

The governing body of each Member Agency shall have plenary authority for the administration and investment of the Agency Trust pursuant to the laws and Constitution of the State of California and applicable federal laws and regulations. Each Member Agency shall by resolution designate a Plan Administrator. Unless otherwise specified in the instrument the Plan Administrator shall be deemed to have authority to act on behalf of the Member Agency in all matters pertaining to the Member Agency's participation in the PARS Trust Program and in regard to the Agency Trust of the Member Agency. Such appointment of a Plan Administrator shall be effective upon receipt and acknowledgment by the Trustee and the Trust Administrator and shall be effective until the Trustee and Trust Administrator are furnished with a resolution of the Member Agency that the appointment has been modified or terminated.

3.5 Failure to Appoint Plan Administrator

If a Plan Administrator is not appointed, or such appointment lapses, the Member Agency shall be deemed to be the Plan Administrator. As used in this document

Plan Administrator shall be deemed to mean Member Agency when a Plan Administrator has not been appointed.

3.6 Delegatee

The Plan Administrator, acting on behalf of the Member Agency, may delegate certain authority, powers and duties to an entity to act in those matters specified in the delegation ("Delegatee"). Any such delegation must be in a writing that names and identifies the Delegatee, states the effective date of the delegation, specifies the authority and duties delegated, is executed by the Plan Administrator and is acknowledged in writing by the Delegatee, the Trust Administrator (if not the Delegatee) and the Trustee. Such delegation shall be effective until the Trustee and the Trust Administrator are directed in writing by the Plan Administrator that the delegation has been rescinded or modified.

3.7 Certification to Trustee

The governing body of each Member Agency, or other duly authorized official, shall certify in writing to the Trustee and the Trust Administrator the names and specimen signatures of the Plan Administrator and Delegatee, if any, and all others authorized to act on behalf of the Member Agency whose names and specimen signatures shall be kept accurate by the Member Agency acting through a duly authorized official or governing body of the Member Agency. The Trustee and the Trust Administrator shall have no liability if it acts upon the direction of a Plan Administrator or Delegatee that has been duly authorized, as provided in Section 3.6, if that Plan Administrator or Delegatee is no longer authorized to act, unless the Member Agency has informed the Trustee and the Trust Administrator of such change.

3.8 Directions to Trustee

Except as provided in Section 5.18 of this Trust Agreement, all directions to the Trustee from the Plan Administrator or Delegatee must be in writing and must be signed by the Plan Administrator or Delegatee, as the case may be. For all purposes of this Trust Agreement, direction shall include any certification, notice, authorization, application or instruction of the Plan Administrator, Delegatee or Trustee appropriately communicated. The above notwithstanding direction may be implied if the Plan Administrator or Delegatee has knowledge of the Trustee's intentions and fails to file written objection.

The Trustee shall have the power and duty to comply promptly with all proper direction of the Plan Administrator, or Delegatee, appointed in accordance with the provisions of this PARS Trust Agreement. In the case of any direction deemed by the Trustee to be unclear or ambiguous the Trustee may seek written instructions from the Plan Administrator, the Agency or the Delegatee on such

matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the Delegatee should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the PARS Trust Program and/or any Agency Trust which may include not taking any action. The Trustee may request directions or clarification of directions received and may delay acting until clarification is received. In the absence of timely direction or clarification, or if the Trustee considers any direction to be a violation of the PARS Trust Agreement or any applicable law, the Trustee shall in its sole discretion take appropriate action, or refuse to act upon a direction.

3.9 Alternate Trustee

A Member Agency may appoint a trustee, other than the Trustee, as to a portion of the assets in the Agency Trust by designating such person or entity as an Alternate Trustee on the Adoption Agreement and by specifying which assets shall be subject to the fiduciary management of the Alternate Trustee. Such appointment shall not be effective unless it is in writing, specifies clearly the assets as to which the Alternate Trustee is to have trustee powers, is acknowledged in writing by the Alternate Trustee, is delivered to and acknowledged by the Trustee and the Trust Administrator. Only a bank, trust company, retirement board, insurer, the Member Agency or such entity as permitted by California law to be a trustee may be appointed an Alternate Trustee. Such appointment will become effective upon acceptance by the Alternate Trustee.

3.10 Powers Of Alternate Trustee

The Alternate Trustee shall be deemed to have all of the powers and duties and responsibilities specified in the PARS Trust Agreement for the PARS Trustee in Article IV unless otherwise specified in the Adoption Agreement.

3.11 Responsibility of Trustee Upon Appointment of Alternate Trustee

Upon the appointment of an Alternate Trustee, the Trustee shall have no liability or responsibility for any matters relating to the management, investment or administration of those assets as to which the Alternate Trustee has been appointed and shall only have the duties set forth in Section 4.3.

3.12 Trust Administrator

The Member Agencies have appointed Phase II Systems as the Trust Administrator. The Trust Administrator has accepted its appointment subject to each Member Agency's delegation of authority, to act as such, pursuant to Section 3.6 of this PARS Trust Agreement. The Trust Administrator's duties

involve the performance of the following services pursuant to the provisions of this trust agreement and the Agreement for Administrative Services:

- (a) Performing periodic accounting of the Agency Trust;
- (b) Directing the Trustee to make distributions from the Agency Trust to Participants pursuant to the provisions of the Member Agency's Plan and liquidate assets in order to make such distributions;
- (c) Notifying the Investment Fiduciary of the amount of Assets in the Agency Trust available for further investment and management by the Investment Fiduciary;
- (d) Allocating contributions, earnings and expenses to each Agency Trust;
- (e) Directing the Trustee to pay insurance premiums, to pay the fees of the Trust Administrator and to do such other acts as shall be appropriate to carry out the intent of the Agency Trusts.
- (f) Such other services as the Member Agency and the Trust Administrator may agree in the Agreement for Administrative Services pursuant to Section 2.4.

3.13 The Trust Administrator shall be entitled to rely on, and shall be under no duty to question, direction and/or data received from the Plan Administrator, or other duly authorized entity, in order to perform its authorized duties under this trust agreement. The Trust Administrator shall not have any duty to compute contributions made to the Agency Trust, determine or inquire whether contributions made to the Agency Trust by the Plan Administrator or other duly authorized entity are adequate to meet and discharge liabilities under the Plan; or determine or inquire whether contributions made to the Agency Trust are in compliance with the Plan; The Trust Administrator shall not be liable for non performance of duties if such non performance is directly caused by erroneous, and/or late delivery of, directions or data from the Plan Administrator, or other duly authorized entity.

3.14 Additional Trust Administrator Services

The Plan Administrator may at any time retain the Trust Administrator as its agent to perform any act, keep any records or accounts and make any computations which are required of the Member Agency or the Plan Administrator by this PARS Trust Agreement or by the Member Agency's Plan. The Trust Administrator shall be separately compensated for such service and such services shall not be deemed to be contrary to the PARS Trust Agreement.

3.15 Trust Administrator's Compensation

As may be agreed upon from time to time by the Member Agency and Trust Administrator, the Trust Administrator will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to the Agency Trust and to the PARS Trust Program in accordance with Section 53217 of the Act.

3.16 Resignation or Removal of Trust Administrator

The Trust Administrator may resign at any time by giving at least one hundred twenty (120) days written notice to each Member Agency of the PARS Trust Program and the Trustee. The Member Agencies, by a two-thirds or greater vote, may remove the Trust Administrator by delivering, at least one hundred twenty (120) days prior to the effective date of such removal, written notice to the Trust Administrator and to the Trustee.

Article IV

THE TRUSTEE

4.1 Powers and Duties of the Trustee

Except as otherwise provided in Article V and subject to Article VI, the Trustee shall have full power and authority with respect to property held in the Agency Trust to do all such acts, take all proceedings, and exercise all such rights and privileges, whether specifically referred to or not in this document, as could be done, taken or exercised by the absolute owner, including, without limitation, the following:

- (a) To invest and reinvest the Assets or any part hereof in any one or more kind, type, class, item or parcel of property, real, personal or mixed, tangible or intangible; or in any one or more kind, type, class, item or issue of investment or security; or in any one or more kind, type, class or item of obligation, secured or unsecured; or in any combination of them. To retain the property for the period of time that the Trustee deems appropriate;
- (b) To acquire and sell options to buy securities ("call" options) and to acquire and sell options to sell securities ("put" options);
- (c) To buy, sell, assign, transfer, acquire, loan, lease (for any purpose, including mineral leases), exchange and in any other manner to acquire, manage, deal with and dispose of all or any part of the Agency Trust

property, for cash or credit and upon any reasonable terms and conditions;

- (d) To make deposits, with any bank or savings and loan institution, including any such facility of the Trustee or an affiliate thereof provided that the deposit bears a reasonable rate of interest;
- (e) To invest and reinvest the Assets, or any part thereof in any one or more collective investment trust funds, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts qualified and tax exempt under the Code, that are maintained by the Trustee or an affiliate thereof. The declaration of trust or plan of operations for any such common or collective fund is hereby incorporated herein and adopted into this PARS Trust Agreement by this reference. The combining of money and other assets of the Agency Trust with money and other assets of other qualified trusts in such fund or funds is specifically authorized. Notwithstanding anything to the contrary in this trust agreement, the Trustee shall have full investment responsibility over assets of the trust invested in such commingled funds. If the plan and trust for any reason lose their tax exempt status, and the Assets have been commingled with assets of other tax exempt trusts in Trustee's collective investment funds, the Trustee shall within 30 days of notice of such loss of tax exempt status, liquidate the Agency Trust's units of the collective investment fund(s) and invest the proceeds in a money market fund pending investment or other instructions from the Plan Administrator. The Trustee shall not be liable for any loss or gain or taxes, if any, resulting from said liquidation;
- (f) To place uninvested cash and cash awaiting distribution in one or more mutual funds and/or commingled investment funds maintained by or made available by the Trustee, and to receive compensation from the sponsor of such fund(s) for services rendered, separate and apart from any Trustee's fees hereunder. Trustee or Trustee's affiliate may also be compensated for providing investment advisory services to any mutual fund or commingled investment funds;
- (g) To borrow money for the purposes of the Agency Trust from any source with or without giving security; to pay interest; to issue promissory notes and to secure the repayment thereof by pledging all or any part of the Assets;
- (h) To take all of the following actions as directed by the Investment Fiduciary or other person with investment discretion over the trust assets: to vote proxies of any stocks, bonds or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options,

and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Agency Trust;

- (i) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (j) To raze or move existing buildings; to make ordinary or extraordinary repairs, alterations or additions in and to buildings; to construct buildings and other structures and to install fixtures and equipment therein;
- (k) To pay or cause to be paid from the Agency Trust any and all real or personal property taxes, income taxes or other taxes or assessments of any or all kinds levied or assessed upon or with respect to the Agency Trust or the Plan;
- (l) As directed by the Trust Administrator, to hold term or ordinary life insurance contracts on the lives of Participants (but in the case of conflict between any such contract and the Plan, the terms of the Plan shall prevail); to pay from the Agency Trust the premiums on such contracts; to distribute, surrender or otherwise dispose of such contracts; to pay the proceeds, if any, of such contracts to the proper persons in the event of the death of the insured Participant; to enter into, modify, renew and terminate annuity contracts of deposit administration of immediate participation or other group or individual type with one or more insurance companies and to pay or deposit all or any part of the Agency Trust Assets thereunder; to provide in any such contract for the investment of all or any part of funds so deposited with the insurance company in securities under separate accounts; to exercise and claim all rights and benefits granted to the contract holder by any such contracts;
- (m) To exercise all the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable federal or California laws, as amended from time to time, it being intended that, except as herein otherwise provided, the powers conferred upon the Trustee herein shall not be construed as being in limitation of any authority conferred by law, but shall be construed as consistent or in addition thereto.

4.2 Additional Trustee Powers

In addition to the other powers enumerated above, and whether or not the Member Agency has retained investment authority or delegated it to an Investment Fiduciary or Participants in Participant Directed Accounts, the Trustee in any and all events is authorized and empowered:

- (a) To invest funds pending required directions in any type of interest-bearing account including without limitation, time certificates of deposit or interest-bearing accounts issued by Union Bank of California N.A., or any mutual fund or short term investment fund ("Fund"), whether sponsored or advised by Union Bank of California or any affiliate thereof; Union Bank of California, N.A. or its affiliate may be compensated for providing such investment advice and providing other services to such Fund, in addition to any Trustee's fees received pursuant to this Trust Agreement;
- (b) To cause all or any part of the Agency Trust to be held in the name of the Trustee (which in such instance need not disclose its fiduciary capacity) or, as permitted by law, in the name of any nominee, and to acquire for the Agency Trust any investment in bearer form, but the books and records of the Agency Trust shall at all times show that all such investments are a part of the Agency Trust and the Trustee shall hold evidences of title to all such investments;
- (c) To serve as sole custodian with respect to the Agency Trust Assets;
- (d) To employ such agents and counsel as may be reasonably necessary in managing and protecting the Assets and to pay them reasonable compensation; to employ any broker-dealer, including a broker-dealer affiliated with the Trustee, and pay to such broker-dealer at the expense of the Agency Trust, its standard commissions; to settle, compromise or abandon all claims and demands in favor of or against the Agency Trust; and to charge any premium on bonds purchased at par value to the principal of the Agency Trust without amortization from the Agency Trust, regardless of any law relating thereto;
- (e) In addition to the powers listed herein, to do all other acts necessary or desirable for the proper administration of the Agency Trust, as though the absolute owner thereof;
- (f) To abandon, compromise, contest, arbitrate or settle claims or demands; to prosecute, compromise and defend lawsuits, but without obligation to do so, all at the risk and expense of the Agency Trust;
- (g) To exercise and perform any and all of the other powers and duties specified in this Trust Agreement or the Plan;

- (h) To permit such inspections of documents at the principal office of the Trustee as are required by law, subpoena or demand by United States agency;
- (i) To comply with all requirements imposed by applicable provisions of law;
- (j) To seek written instructions from the Plan Administrator or other fiduciary on any matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the fiduciary should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of this Agency Trust;
- (k) As directed by the Plan Administrator or Delegatee if duly authorized, to cause the benefits provided under the Plan to be paid directly to the persons entitled thereto under the Plan, and in the amounts and in the manner specified, and to charge such payments against the Agency Trust with respect to which such benefits are payable;
- (l) To compensate such executive, consultant, actuarial, accounting, investment, appraisal, administrative, clerical, secretarial, medical, custodial, depository and legal firms, personnel and other employees or assistants as are engaged by the Plan Administrator in connection with the administration of the Plan and to pay from the Agency Trust the necessary expenses of such firms, personnel and assistants, to the extent not paid by the Plan Administrator;
- (m) To act upon proper written directions of the Plan Administrator or Delegatee, including directions given by photostatic transmissions using facsimile signature;
- (n) To pay from the Agency Trust the expenses reasonably incurred in the administration of the Agency Trust as provided in the Plan;
- (o) To maintain insurance for such purposes, in such amounts and with such companies as the Plan Administrator shall elect, including insurance to cover liability or losses occurring by reason of the acts or omissions of fiduciaries but only if such insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by such fiduciary.

4.3 Custodial Powers

If an Alternate Trustee has been appointed pursuant to Section 3.9, Union Bank of California, N.A., ("Bank") as Custodian, shall only have the following responsibilities:

- (a) Keep records of all transactions entered into for the Agency Trust and furnish to Alternate Trustee statements no less frequently than quarterly showing all principal and income transactions and Agency Trust Assets, which shall be deemed ratified and approved by Alternate Trustee unless Custodian is advised to the contrary within ninety (90) days of Custodian's mailing thereof by first class mail to Alternate Trustee;
- (b) Receive payments of income and principal on Agency Trust Assets, and retain or remit in accordance with Alternate Trustee's written instructions;
- (c) Hold Agency Trust Assets in Bank's name as Custodian for Alternate Trustee or in Bank's nominee name, or, as to securities eligible to be held by the depository trust company or other depository, in its nominee name;
- (d) Purchase and sell securities, attend to the exchange of securities, deposit or exchange securities of companies in reorganization, and tender securities on redemption or tender offer solely upon direction of Alternate Trustee;
- (e) Sign the name of Alternate Trustee to stock and bond powers and any other instruments required for the proper exercise of Bank's duties, and Bank is appointed Alternate Trustee's attorney-in-fact for these purposes;
- (f) Forward all proxies and accompanying materials to Alternate Trustee to be voted unless directed in writing to the contrary. Disclose Alternate Trustee's name and address in response to requests from issuers of securities and others to facilitate direct communication for proxy and tender offer response;
- (g) Sell all fractional shares of stock received as a result of stock dividends or other corporate action;
- (h) Notify Alternate Trustee of any inability to collect income or principal if the securities or other property constituting Assets upon which such amount is payable is in default, or if payment is refused after due demand. Bank shall be under no obligation or duty to take any action to effect collection of defaulted payments, or to file or pursue any bankruptcy or class action claims with respect to Agency Trust.

- (i) Perform a telephonic verification to Alternate Trustee or Alternate Trustee's authorized representative or such other security procedure selected by Alternate Trustee prior to wiring funds or following facsimile directions as Bank may require. Alternate Trustee assumes all risk of delay of transfer if Bank is unable to reach Alternate Trustee or Alternate Trustee's authorized representative, or in the event of delay as a result of attempts to comply with any other security procedure selected by Alternate Trustee.

Article V

INVESTMENTS

5.1 Investment Fiduciary

Except as herein provided, the Plan Administrator shall be the Investment Fiduciary.

5.2 Appointment of Trustee or an Investment Manager as Investment Fiduciary

The Plan Administrator may appoint the Trustee or an investment manager as the Investment Fiduciary, with the authority and duty to direct the investment and management of all or any portion of the Assets of the Agency Trust.

5.3 Appointment of Investment Fiduciary

No action of the Plan Administrator pursuant to 5.2 shall be effective until a certified copy of the revised Adoption Agreement and, if required, any such resolution of the governing body of the Member Agency or Plan Administrator action is delivered to the Trustee. Upon receipt and acceptance, the Trustee or investment manager, as the case may be, shall assume fiduciary responsibility with respect to the investment and management of such assets of the Agency Trust as are specified in the resolution or action. Any transfer of investment authority to the Trustee or to an investment manager may be revoked by delivering to the Trustee or the investment manager a written notice from either the Member Agency governing body or the Plan Administrator, as the case may be.

5.4 Reliance by Trustee on Investment Fiduciary

The appointment, selection and retention of an Investment Fiduciary shall be solely the responsibility of the Member Agency acting through its governing body or the Plan Administrator. The Trustee may rely upon the fact that the

Investment Fiduciary is authorized to direct the investment and management of the Assets of the Agency Trust until such time as the Plan Administrator shall notify the Trustee in writing that another Investment Fiduciary has been appointed to replace the Investment Fiduciary named, or, in the alternative, that the Investment Fiduciary named has been removed.

5.5 When Trustee is not Investment Fiduciary

The Trustee shall not be the Investment Fiduciary and shall have no responsibility or authority for the investment and management of assets unless specifically designated as the Investment Fiduciary as to some or all of the assets in the Agency Trust and accepts such designation.

- (a) During such period or periods of time, if any, as the Plan Administrator or an Investment Fiduciary is authorized to direct the investment and management of the Assets of the Agency Trust, the Trustee shall (subject to the overriding limitations hereinafter set forth) effect and change investment of the Assets of the Agency Trust as directed in writing by the Plan Administrator, or Investment Fiduciary, as the case may be, and shall neither effect nor change any such investments without such direction and shall have no right, duty or responsibility to recommend investments or investment changes. The following provisions shall govern the Trustee during such period or periods of time, if any, during which the Plan Administrator or an Investment Fiduciary is authorized to direct the investment and management of the Assets of any Agency Trust:
- (b) So long as the Plan Administrator retains or reacquires full power and responsibility to direct the Trustee with respect to the investment and management of all or any portion of the Assets of the Agency Trust, the Trustee shall not be liable nor responsible for losses or unfavorable results arising from the Trustee's compliance with proper directions of the Plan Administrator which are made in accordance with the terms of this Trust Agreement and which are not contrary to the provisions of any applicable federal or state statute regulating such investment.
- (c) In the event an Investment Fiduciary is given authority and responsibility with respect to the investment and management of the Assets of the Agency Trust, neither the Trustee nor the Plan Administrator shall be liable or responsible in any way for any losses or other unfavorable results arising from the Trustee's compliance with investment or management directions received by the Trustee from the Investment Fiduciary.

5.6 Investment Directions Must be in Writing

Subject to the provisions of Section 5.18, in order to be valid all directions concerning investments made by the Plan Administrator, or the Investment

Fiduciary, or PARS Trustee must be signed by the authorized person or persons acting on behalf of the Plan Administrator, Investment Fiduciary or Trustee, as the case may be.

5.7 Trustee Reliance On Directions

- (a) The Trustee shall be entitled to rely upon directions which the Trustee receives. The Trustee shall be under no duty to question any directions of the Investment Fiduciary or Plan Administrator nor to review any securities or other property of the PARS Trust or Agency Trust constituting assets thereof with respect to which an Investment Fiduciary or the Plan Administrator has investment responsibility, nor to make any suggestions to the Investment Fiduciary or Plan Administrator in connection therewith. The Trustee shall, as promptly as possible, comply with any written directions given by the Plan Administrator or an Investment Fiduciary hereunder. The Trustee shall not be liable, in any manner nor for any reason, for the making or retention of any investment pursuant to such directions, nor shall the Trustee be liable for its failure to invest any or all of the Assets of the Agency Trust in the absence of such written directions. The Trustee shall be under no obligation to seek written clarification in the event of ambiguity.
- (b) During such period of time, if any, as the Plan Administrator, or an Investment Fiduciary, is authorized to direct the Trustee, the Trustee shall have no obligation to determine the existence of any conversion, redemption, exchange, subscription or other right relating to any securities purchased of which notice was given prior to the purchase of such securities, and shall have no obligation to exercise any such right unless the Trustee is informed of the existence of the right and is instructed to exercise such right, in writing, by the Plan Administrator or the Investment Fiduciary, as the case may be, within a reasonable time prior to the expiration of such right.
- (c) In any event, neither the Plan Administrator nor any Investment Fiduciary referred to above shall direct the purchase, sale or retention of any Assets of the Agency Trust if such directions are not in compliance with applicable law.

5.8 Trustee Fees

As may be agreed upon, in writing, between the Plan Administrator and Trustee, the Trustee will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to the Agency Trust or the PARS Trust.

5.9 Contributions

The Plan Administrator shall make all of its contributions to the Trustee, and shall also transmit all contributions of Plan participants, as may be required or allowed by the Plan, to the Trustee. Such contributions shall be in cash unless the Trustee agrees to accept a contribution that is not in cash. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of this Trust Agreement. The Trustee shall not have any duty to determine or inquire whether any contributions to the Agency Trust made to the Trustee by any Plan Administrator are in compliance with the Plan; nor shall the Trustee have any duty or authority to compute any amount to be paid to the Trustee by any Plan Administrator; nor shall the Trustee be responsible for the collection or adequacy of the contributions to meet and discharge liabilities under the Plan. The contributions received by the Trustee from each Member Agency shall be held and administered pursuant to the terms hereof without distinction between income and principal.

5.10 Money Market Fund

Pending any investment directions, such cash in the Agency Trust in an amount as is reasonable in the discretion of the Trustee, may be deposited in a money market fund selected by the Trustee or the Member Agency.

5.11 Purchase of Contracts

The Trustee shall have the authority to purchase individual or group insurance, annuity, preliminary term, group pension, and variable annuity contracts in accordance with the directions of the Plan Administrator or other insurance contracts at the direction of the Plan Administrator or Investment Fiduciary if such contracts are acceptable to the Trustee. The Trustee shall act as custodian of such contracts if an Alternate Trustee is appointed as to such contracts.

5.12 Records

- (a) The Trustee shall maintain accurate records and detailed accounts of all investments, receipts, disbursements and other transactions hereunder at the PARS Trust level. Such records shall be available at all reasonable times for inspection by the Trust Administrator. The Trustee shall, at the direction of the Trust Administrator, submit such valuations, reports or other information as the Trust Administrator may reasonably require.
- (b) Valuation. The assets of the Agency Trust shall be valued at their fair market value on the date of valuation, as determined by the Trustee based upon such sources of information as it may deem reliable; provided, however, that the Plan Administrator shall instruct the Trustee as to valuation of assets which are not readily determinable on an established

market. The Trustee may rely conclusively on such valuations provided by the Plan Administrator and shall be indemnified and held harmless by the Plan Administrator with respect to such reliance. If the Plan Administrator fails to provide such values, the Trustee may take whatever action it deems reasonable, including employment of attorneys, appraisers or other professionals, the expense of which will be an expense of administration of the Agency Trust. Transactions in the account involving such hard to value assets may be postponed until appropriate valuations have been received and Trustee shall have no liability therefore.

5.13 Statements

- (a) Periodically as specified, and within sixty days after June 30, or the end of the PARS Trust's fiscal year if different, Trustee shall render to the Trust Administrator as directed, a written account showing in reasonable summary the investments, receipts, disbursements and other transactions engaged in by the Trustee during the preceding fiscal year or period with respect to the PARS Trust. Such account shall set forth the assets and liabilities of the PARS Trust valued as of the end of the accounting period.
- (b) The Trust Administrator may approve such statements either by written notice or by failure to express objections to such statements by written notice delivered to the Trustee within 90 days from the date the statement is delivered to the Trust Administrator. Upon approval, the Trustee shall be released and discharged as to all matters and items set forth in such statement as if such account had been settled and allowed by a decree from a court of competent jurisdiction.

5.14 Wire Transfers

The Trustee shall follow the Plan Administrator's, Delegatee's, or Trust Administrator's wire transfer instructions in compliance with the written security procedures provided by the party providing the wire transfers. The Trustee shall perform a telephonic verification to the Plan Administrator, Trust Administrator, or Delegatee, of such other security procedure, as selected by the party providing wire transfer directions, prior to wiring funds or following facsimile directions as Trustee may require. The Plan Administrator assumes the risk of delay of transfer if Trustee is unable to reach the Plan Administrator, or in the event of delay as a result of attempts to comply with any other security procedure selected by the directing party.

5.15 Exclusive Benefit

The Assets of the Agency Trust shall be held in trust for the exclusive purpose of providing benefits to the participants and their beneficiaries of the Member Agency Plan, and defraying reasonable expenses of the Plan, and shall not be

used for or diverted to any other purpose. No party shall have authority to use or divert such Plan's Assets for the payment of benefits or expenses of any other Member Agency's Plan.

5.16 Delegation of Duties

The Plan Administrator, Delegatee, or Trust Administrator, may at any time retain the Trustee as its agent to perform any act, keep any records or accounts and make any computations that are required of the Plan Administrator, Delegatee or Trust Administrator by this Trust Agreement or by the Plan. The Trustee may be compensated for such retention and such retention shall not be deemed to be contrary to this Trust Agreement.

5.17 Distributions

All benefits payable pursuant to the Plan shall be paid out of the Assets of the Agency Trust by the Trustee pursuant to the direction of the Plan Administrator or Delegatee. The Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegatee, make distributions from the Assets of the Agency Trust to or for the benefit of such persons, in such manner in such form(s), in such amounts and for such purposes as may be specified in such directions. The Trustee at the direction of the Plan Administrator or Delegatee may make any distribution required to be made by it hereunder by delivering to the Plan Administrator or Delegatee:

Its check payable to the person to whom such distribution is to be made, for delivery to such person; or

Its check payable to an insurer for the benefit of such person, for delivery by such insurer; or insurance contracts held on the life of the Participant to whom or with respect to whom the distribution is being made, for redelivery to the person to whom such distribution is to be made; provided that any contract distributed shall be endorsed as non-transferable.

In directing the Trustee to make distributions, the Plan Administrator or Delegatee shall follow the provisions of the Plan and shall not direct that any distribution be made either during the existence or upon discontinuance of the Plan, which would cause any part of the Assets of the Agency Trust to be used for or diverted to purposes other than as provided in the Plan and this PARS Trust. In no event shall the Trustee have any responsibility respecting the application of such distributions, nor for determining or inquiring into whether such distributions are in accordance with the Plan.

5.18 Participant Directed Accounts

The Member Agency may, by written resolution and execution of the Adoption Agreement, terminate the Plan Administrator's right to direct the investment and management of all or any portion of the Assets of the Agency Trust and allow Participants to direct their own account balances ("Participant Directed Accounts"). Notwithstanding any other provision of this Trust Agreement, for Participant Directed Accounts, the Trustee shall be entitled to act upon proper directions of the Plan Administrator, Trust Administrator, and Participants including directions in writing, or oral instructions which Trustee in its discretion may follow without receipt of written instructions, instruction given by photostatic teletransmission using facsimile signature, or those instructions which are digitally recorded on the UBOC Voice Response Unit ("VRU") or internet website. Trustee is hereby authorized to record conversations and transmissions made in connection with the Agency Trust. Trustee's recording or lack of recording of any such oral, internet or digital instructions, and/or receipt or lack of receipt of facsimile transmissions, as reflected in the Trustee's records maintained in the ordinary course of business shall constitute conclusive proof of Trustee's receipt or non-receipt of such instructions.

The Trustee and/or Trust Administrator shall not be liable in any manner for investment or other losses or other liability attributable to Participant's directions, or lack thereof, or exercise of control over the investments of their Participant Directed Accounts. Likewise, the Trustee and/or Trust Administrator shall have no duty or responsibility to review, monitor or make recommendations regarding investments made at the direction of the Participants or the Plan Administrator. In order for Member Agency to be relieved of investment fiduciary liability, the requirements of California law including Section 53213.5 of the California Government Code must be met. The Plan Administrator shall establish uniform and nondiscriminatory rules for the operation of the Participant Directed Accounts, including whether the Participant shall direct the Trustee or direct the Plan Administrator who directs the Trust Administrator who forwards such directions to the Trustee. Member Agency shall designate whether Participant Directed Accounts are to be established pursuant to the provisions of section 5.18(a) or 5.18(b), below:

- (a) Participant Direction in Individually Directed Accounts. If the Member Agency has so elected, Participants may have investment direction power over their own segregated account balances ("Individually Directed Account" or "IDA"). Investments may be directed by Participants into assets administratively acceptable to Trustee, as limited by guidelines developed by the Plan Administrator (the "Permissible Investment Guidelines"). Plan Administrator shall notify Participants of the Plan's Permissible Investment Guidelines as in effect from time to time. In the absence of directions from a Participant, the Plan Administrator may direct the investment of the IDA. The Trustee may refuse to comply with the

directions of the Participant to invest in assets other than those listed in its Permissible Investments Guidelines or with directions which the Trustee deems to be improper or contrary to the provisions of the Plan and Agency Trust or the Internal Revenue Code and shall have no liability for such refusal.

- (b) Participant Directed Account within Plan Administrator Selected Investment Options ("SelectBENEFIT Accounts"): If the Member Agency so elects, the Participant's Account Balance shall be segregated into a Participant Directed Account ("SelectBENEFIT Account"), over which the Participant may direct investment into one or more investment alternatives ("Investment Options"). The Plan Administrator or its appointed Investment Fiduciary shall have full responsibility for designating the Investment Options under the Plan and for selecting the underlying investment vehicle(s) for each designated Investment Option into which a Participant may direct investment of his or her SelectBENEFIT Account. To the extent allowed by law, neither the Member Agency, the Plan Administrator, the Trust Administrator nor the Trustee shall have any responsibility for monitoring the directions of the Participant nor shall the Member Agency, the Plan Administrator, the Trust Administrator or the Trustee be liable in any manner for investment or other losses or other liability for following directions of a Participant.
- (c) If SelectBENEFIT Accounts are established, notwithstanding any other provision of this Trust Agreement, the Member Agency may appoint the Trustee to provide ministerial services as recordkeeper for such accounts by so indicating in the Member Agency's Adoption Agreement, provided that an acceptable service agreement has been executed by and between the Member Agency, the Plan Administrator, the Trustee and the Trust Administrator.

Article VI

FIDUCIARY RESPONSIBILITIES

6.1 More Than One Fiduciary Capacity

Any one or more of the fiduciaries with respect to the PARS Trust Agreement or the Agency Trust may, to the extent required thereby or as directed by the Plan Administrator pursuant to this PARS Trust Agreement and the Plan, serve in more than one fiduciary capacity with respect to the PARS Trust Agreement, the Agency Trust and the Plan.

6.2 Fiduciary Discharge of Duties

Except as otherwise provided in the Code and applicable law each fiduciary shall discharge such fiduciary's duties with respect to the PARS Trust Agreement and the Plan:

Solely in the interest of the Participants and for the exclusive purpose of providing benefits to Participants, and defraying reasonable expenses of administering the Plan. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. By diversifying the investments of the Plan and the Agency Trust so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

6.3 Limitations on Fiduciary Responsibility

To the extent permitted by applicable law:

No fiduciary shall be liable with respect to a breach of fiduciary duty by any other fiduciary if such breach was committed before such party became a fiduciary or after such party ceased to be a fiduciary.

No fiduciary shall be liable for a breach by another fiduciary unless the non-breaching fiduciary knowingly participates in such a breach, knowingly undertakes to conceal such breach, or has actual knowledge of such breach and fails to take reasonable steps to remedy such breach.

No fiduciary shall be liable for carrying out a proper direction from another fiduciary, including refraining from taking an action in the absence of a proper direction from the other fiduciary possessing the authority and responsibility to make such a direction, which direction the fiduciary in good faith believes to be authorized and appropriate.

6.4 Indemnification of Trustee by Member Agency

The Trustee shall not be liable for, and Member Agency shall indemnify, defend (as set out in 6.8 of this Trust Agreement), and hold the Trustee (including its officers, agents, employees and attorneys) and other Member Agencies and Alternate Trustees, harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Member Agency's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.5 Indemnification of Member Agency by Trustee

The Member Agency shall not be liable for, and Trustee shall indemnify, defend (as set out in 6.8 of this Trust Agreement), and hold the Member Agency (including its officers, agents, employees and attorneys) and other Member Agencies and Alternate Trustees, harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.6 Indemnification of Trustee by Trust Administrator

The Trustee shall not be liable for, and Trust Administrator shall indemnify and hold the Trustee (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trust Administrator's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.7 Indemnification of Trust Administrator by Trustee

The Trust Administrator shall not be liable for, and Trustee shall indemnify and hold the Trust Administrator (including its officers, agents, employees and attorneys) harmless from and against any claims, demands, loss, costs, expense or liability imposed on the indemnified party, including reasonable attorneys' fees and costs incurred by the indemnified party, arising as a result of Trustee's active or passive negligent act or omission or willful misconduct in the execution or performance of its duties under this Trust Agreement.

6.8 Indemnification Procedures

Promptly after receipt by an indemnified party of notice or receipt of a claim or the commencement of any action for which indemnification may be sought, the indemnified party will notify the indemnifying party in writing of the receipt or commencement thereof. When the indemnifying party has agreed to provide a defense as set out above that party shall assume the defense of such action (including the employment of counsel, who shall be counsel satisfactory to such indemnitee) and the payment of expenses, insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the indemnifying party. Any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the

indemnifying party unless (i) the employment of such counsel has been specifically authorized by the indemnifying party or (ii) the named parties to any such action (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. The indemnifying party shall not be liable to indemnify any person for any settlement of any such action effected without the indemnifying party's consent.

6.9 No Joint and Several Liability

This document is not intended to and does not create any joint powers agreement or any joint and several liability. No Member Agency shall be responsible for any contributions, costs or distributions of any other Member Agency.

Article VII

AMENDMENT, TERMINATION AND MERGER

7.1 No Obligation to Continue Plan and Trust

Continuance of the Agency Trust, participation in the PARS Trust Program and continuation of the Plan are not assumed as a contractual obligation of the Member Agency.

7.2 Amendments

- (a) The PARS Trust Agreement may only be amended or terminated as provided herein. A two-thirds majority or greater of the Member Agencies shall have the right to amend this Trust Agreement from time to time, and to similarly amend or cancel any amendments. A copy of all amendments shall be delivered to the Trustee, the Trust Administrator and Plan Administrators promptly as each is made.
- (b) Such amendments shall be set forth in an instrument in writing executed by the amending party, the Trust Administrator and the Trustee. Any amendment may be current, retroactive or prospective, provided, however, that no amendment shall:
 - (1) Cause the Assets of any Agency Trust to be used for or diverted to purposes other than for the exclusive benefit of Participants who have an interest in such Agency Trust or for the purpose of defraying the reasonable expenses of administering such Agency Trust.

- (2) Have any retroactive effect so as to reduce the benefits of any Participant having an interest in the Agency Trust as of the date the amendment is adopted, except that such changes may be made as may be required to permit this PARS Trust Agreement to meet the requirements of applicable law.
- (3) Change or modify the duties, powers or liabilities of the Trustee or the Trust Administrator hereunder without its consent.
- (4) Permit the Assets of any Agency Trust to be used for the benefit of any other Plan of the Member Agency unless the Member Agency agrees to such use.

7.3 Termination of Plan

A termination of the Plan for which the Agency Trust was established shall not, in itself, effect a termination of an Agency Trust. Upon any termination of the Plan, the Assets of the Agency Trust shall be distributed by the Trustee as and when directed by the Plan Administrator. From and after the date of such termination of the Plan and until final distribution of the Assets the Trustee shall continue to have all the powers provided herein as are necessary or expedient for the orderly liquidation and distribution of such assets and the Agency Trust shall continue until the interests of all Participants have been completely distributed to or for the benefit of the Participants in accordance with the Plan.

7.4 Reversion

In the event a Member Agency's Plan is terminated, the vested interest of any Participant shall not be diminished or adversely affected. Except as may be provided in this Trust Agreement or the Plan, such termination shall not vest in the Member Agency any corpus or income under the Agency Trust, nor permit the Plan to discriminate as to coverage, or as to allocation of contributions or earnings, in favor of employees who are officers, shareholders, or highly compensated, nor cause the Agency Trust to lose its exemption pursuant to 501(a) of the Code. No modification, amendment or termination of the Plan shall be construed to be a termination of the Agency Trust so as to require the Trustee to make a distribution of any of the Assets of the Agency Trust to any Participant. In order to make such distribution the Trustee must receive written instructions from the Plan Administrator or Delegatee in a form acceptable to the Trustee.

If any Member Agency adopts a Plan whose assets are maintained in an Agency Trust and makes application to the Internal Revenue Service, within one year from the date of adoption of such Plan, for a determination that such Plan is a qualified plan under Section 401 (a) of the Code, and if such Plan is determined by the Internal Revenue Service not to be a qualified Plan, then all contributions

and investment income attributable to such Plan shall be returned to the Member Agency upon application to the Trustee.

7.5 Fund Recovery Based on Mistake of Fact

Except as hereinafter provided, the Assets of the Agency Trust shall never inure to the benefit of the Member Agency. The Assets shall be held for the exclusive purposes of providing benefits to Participants having an interest in the Plan and defraying reasonable expenses of administering the Agency Trust. The sole exception to the foregoing is as follows:

Mistake of Fact. In the case of a contribution which is made by the Plan Administrator because of a mistake of fact, that portion of the contribution relating to the mistake of fact (exclusive of any earnings or losses attributable thereto) may be returned to the Plan Administrator, provided such return occurs within one (1) year after discovery by the Plan Administrator of the mistake. If any repayment is payable to the Plan Administrator, then, as a condition to such repayment, and only if requested by Trustee, the Plan Administrator shall execute, acknowledge and deliver to the Trustee its written undertaking, in a form satisfactory to the Trustee, to indemnify, defend and hold the Trustee harmless from all claims, actions, demands or liabilities arising in connection with such repayment.

7.6 Transfers from Other Qualified Plans

Notwithstanding any other provision hereof, there may be transferred to the Trustee, upon direction of the Plan Administrator, all or any of the assets held (whether by a trustee, custodian or otherwise) on behalf of any other plan which satisfies the applicable requirements of Section 401 of the Code, and which is maintained for the benefit of any persons who are or will become Participants in the Plan.

7.7 Termination

The PARS Trust Agreement may be terminated only by a unanimous agreement of all Member Agencies. Such action must be in writing and delivered to the Trustee and Trust Administrator.

Article VIII

MISCELLANEOUS PROVISIONS

8.1 Nonalienation

To the maximum extent permitted by law, a Participant's interest in the Agency Trust shall not in any way be liable to attachment, garnishment, assignment or

other process, or be seized, taken, appropriated or applied by any legal or equitable process, to pay any debt or liability of the Participant or any other party. Agency Trust Assets shall not be subject to the claims of the Member Agency or the claims of its creditors.

8.2 Saving Clause

In the event any provision of this PARS Trust Agreement and each Agency Trust is held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of the PARS Trust and/or Agency Trust, but this instrument shall be construed and enforced as if said provision had never been included.

8.3 Applicable Law

This PARS Trust Agreement and each Agency Trust shall be construed, administered and governed under the Code and the applicable provisions of California law. To the extent any of the provisions of this Trust Agreement or the Plan are inconsistent with the Code or applicable California law, the provisions of the Code or California law shall control. In the event, however, that any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Trust Agreement and the Plan being a qualified governmental retirement trust and plan within the meaning of the Code.

8.4 Joinder of Parties

In any action or other judicial proceedings affecting this Trust Agreement, it shall be necessary to join as parties only the Trustee, the Plan Administrator or Delegatee. No participant or other persons having an interest in any Agency Trust shall be entitled to any notice or service of process unless otherwise required by law. Any judgment entered in such a proceeding or action shall be binding on all persons claiming under this Trust Agreement, provided, however, that nothing in this Trust Agreement shall be construed as to deprive a participant of such participant's right to seek adjudication of such participant's rights under applicable law.

8.5 Employment of Counsel

The Trustee may consult with legal counsel (who may be counsel for the Trustee or Member Agency Plan Administrator) and charge the Agency Trust.

8.6 Gender and Number

Words used in the masculine, feminine or neuter gender shall each be deemed to refer to the other whenever the context so requires; and words used in the singular or plural number shall each be deemed to refer to the other whenever the context so requires.

8.7 Headings

Headings used in this Trust Agreement are inserted for convenience of reference only and any conflict between such headings and the text shall be resolved in favor of the text.

8.8 Counterparts

The Adoption Agreement of this Trust Agreement may be executed in an original and any number of counterparts by the Plan Administrator (executing an Adoption Agreement), the Trust Administrator and the Trustee, each of which shall be deemed to be an original of the one and the same instrument.

Article IX

ACKNOWLEDGMENT AND ACCEPTANCE

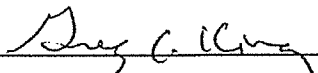
The provisions of the PARS Trust Agreement as contained herein are hereby amended and restated as of July 1, 1999 (the "Amended Effective Date")

IN WITNESS WHEREOF, the Plan Administrator (by executing the Adoption Agreement) the Trust Administrator and Trustee have executed this Trust Agreement by their duly authorized agents on this 19th day of January, 2000.

ACKNOWLEDGED AND ACCEPTED this 19th day of January, 2000.

THE TRUSTEE

UNION BANK OF CALIFORNIA, N.A.

By:  _____

Title: Senior Vice President

THE TRUST ADMINISTRATOR

PHASE II SYSTEMS

By:  _____

Title: President

**ADOPTION AGREEMENT
for the
PARS CALIFORNIA 401(A) TRUST**

A.1.1. Trust agreement with U.S. Bank National Association (the "Bank") (the "Trust Agreement"):

PARS California 401(a) Trust. Public Agency Retirement System (PARS) Trust Agreement, effective July 1, 1991, as amended and restated as of July 1, 1999

A.1.2. Plan: Montara Water and Sanitary District PARS Defined Benefit Plan

A.1.3. Plan's effective date: July 1, 2015

A.2.1. Employer or Member Agency, as the case may be (the "Employer"):

Name: Montara Water and Sanitary District

U.S. mail address: 8888 Cabrillo Highway, P.O. Box 370321, Montara, CA 94037

Phone number: (650) 728-3545

EIN: _____

Fiscal year end: _____

A.2.2. Plan Administrator

Position at Employer: General Manager

Incumbent: Clemens H. Heldmaier

U.S. mail address: 8888 Cabrillo Highway, P.O. Box 370321, Montara, CA 94037

Phone number: (650) 728-3545

Email address: mwsd@coastside.net

A.3.1 **Adoption.** The Employer hereby:

A.3.1.1. Adopts the Trust Agreement as part of the Plan and agrees to be bound by the Trust Agreement's terms, effective as of the Employer's signature date below and subject to the investment approach selected below.

A.3.1.2. Ratifies, affirms, and approves Employer's appointment of Phase II Systems as Trust Administrator and represents and warrants that attached hereto is a fully-executed original of Employer's Agreement for Administrative Services with Phase II Systems, d/b/a Public Agency Retirement Services (PARS).

A.3.1.3. Agrees that capitalized terms used herein but not defined herein shall have the same meaning attributed to them as in the Trust Agreement, as the case may be.

A.4.1. The Employer hereby represents and warrants that:

A.4.1.1. **Authorizing Law.** Employer has reviewed with its legal counsel and has determined that Employer is authorized to establish the Plan and to establish a financial-institution trust (separate and apart from the state) for the Plan, including the authority to adopt the Trust Agreement.

A.4.1.2. **Authorizing Resolution.** Attached hereto is a certified copy of a resolution of the Employer's governing body authorizing the adoption of the Trust Agreement as part of the Plan and authorizing the appointment of the Plan Administrator designated by position of employment at the Employer to act on the Employer's behalf in all matters relating to the trust;

A.4.1.3. **Tax Status.** The Plan is a "governmental plan" as defined in Section 414(d) of the Internal Revenue Code of 1986, as amended; is a "Section 401(a)(24) governmental plan" as defined in Revenue Ruling 2011-1; and is not subject to Federal income taxation. The Plan's governing document expressly provides that it is irrevocably impossible for any part of the corpus or income of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Plan participants and their beneficiaries. (In addition, the Employer hereby acknowledges that the Plan is prohibited from assigning any part of its equity or interest in the trust.)

A.4.2. **Investment Approach.** Trust assets are invested in the discretion of (*check one and only one of the following boxes*):

Discretionary investment approach:

- The Bank, subject to **Exhibit A (Investment Strategy Selection and Disclosure Form)** attached hereto.

Directed investment approach:

- The Plan Administrator.
- The following registered investment adviser, bank (other than the Bank), or insurance company (a "Third-Party Manager"): _____

_____. The Employer hereby represents and warrants that attached hereto is an executed copy of the agreement with the above appointed Third Party Manager.

- Plan participants.

MONTARA WATER AND SANITARY DISTRICT

By: _____
Clemens H. Heldmaier

Its: General Manager

Date: _____

Accepted by:

**PHASE II SYSTEMS, DBA PUBLIC AGENCY
RETIREMENT SERVICES (PARS)**

By: _____
Daniel Johnson

Its: President _____

Date: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____
Susan M. Hughes

Its: Vice President, Relationship Manager _____

Date: _____

**THE MONTARA WATER AND SANITARY DISTRICT
PUBLIC AGENCY RETIREMENT SYSTEM (PARS)
DEFINED BENEFIT PLAN**

EFFECTIVE JULY 1, 2015

TABLE OF CONTENTS

Page

INTRODUCTION.....	4
-------------------	---

ARTICLE I - PARTICIPATION

1.1 Eligibility for Participation	5
1.2 Eligibility for Benefits.....	5
1.3 Commencement of Benefits.....	5
1.4 Participation	5
1.5 Approved Leave of Absence.....	5

ARTICLE II - CONTRIBUTIONS

2.1 Amount of Employee Contributions	6
2.2 Amount of Employer Contributions.....	6
2.3 Pick Up of Mandatory Contributions.....	6
2.4 Administrative Expenses.....	6

ARTICLE III - BENEFITS

3.1 Retirement Benefits.....	7
3.2 Survivor Continuance Benefit.....	7
3.3 Pre-Retirement Disability Benefit.....	7
3.4 Pre-Retirement Death Benefit.....	7
3.5 Deferred Benefit.....	8
3.6 Withdrawal Benefit	8
3.7 Purchase of Service Credit.....	8
3.8 Designation of Beneficiary	9

ARTICLE IV - VESTING

4.1 Vesting	11
4.2 Full or Partial Termination.....	11
4.3 Attainment of Normal Retirement Age.....	11
4.4 Effect of Vesting	11

ARTICLE V - DISTRIBUTIONS

5.1 Normal Form of Benefit.....	12
5.2 Optional Forms of Benefit	12
5.3 Limitations	13
5.4 Cash Out of Small Benefits.....	21
5.5 Actuarial Equivalence	21
5.6 Direct Rollovers	21

CONT. TABLE OF CONTENTS

ARTICLE VI - ADMINISTRATION AND AMENDMENT OF PLAN

6.1 Member's Rights not Subject to Execution 24
6.2 Rules and Regulations 24
6.3 Amendment and Termination 26
6.4 Military Service..... 26

ARTICLE VII - ANNUAL BENEFIT LIMITATIONS

7.1 Definitions and Application 27
7.2 Annual Limitation on Benefits..... 28

ARTICLE VIII - DEFINITIONS

8.1 Definitions..... 32

INTRODUCTION

The Montara Water and Sanitary District (hereinafter referred to as the "Employer") has adopted this tax-qualified governmental defined benefit plan for the benefit of its eligible employees.

It is intended that this Plan and the Trust established to hold the assets of the Plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, together with any amendments thereto ("Code"). It is further intended that this Plan and the Trust established hereunder shall meet the requirements of a pension trust under California Government Code Sections 53215 - 53224, or their successor sections ("Act"). Furthermore, this Plan is intended to satisfy the requirements of a "governmental plan" as defined in Section 414(d) of the Code and that the Plan is exempt from the nondiscrimination requirements and minimum coverage requirements of Section 401(a) of the Code. At any time prior to the satisfaction of all liabilities with respect to Members and their Beneficiaries under the Trust created pursuant to this Plan, the Trust assets shall not be used for, or diverted to, purposes other than the exclusive benefit of Members or their Beneficiaries, as prescribed in Section 401(a)(2) of the Code.

It is intended that the Plan satisfy the requirements of the applicable provisions of the legislation, regulations and other guidance set forth in Notice 2014-77, and that the provisions of this Plan reflecting such requirements are hereby made effective as of the dates required by the legislation, regulations or guidance referred to in this sentence.

ARTICLE I
PARTICIPATION

1.1 Eligibility for Participation

An Employee is eligible to participate in this Plan if he or she is a full-time Employee of the Employer on or after July 1, 2015.

1.2 Eligibility for Benefits

An Employee shall be eligible to receive Retirement Benefits under this Plan if he or she:

- (a) is a full-time Employee of the Employer on or after July 1, 2015;
- (b) is at least sixty-two (62) years of age;
- (c) has completed at least five (5) years of full-time service with the Employer;
- (d) has terminated employment with the Employer; and
- (e) has applied for benefits under this Plan.

1.3 Commencement of Benefits

Benefits shall commence as of the first day of the first month after an Employee meets the eligibility requirements of Section 1.2.

1.4 Participation

An Employee will be credited with one (1) Year of Participation as defined in Section 7.1 for any year during which the Employee is employed by the Employer.

1.5 Approved Leave of Absence

An Employee who is on an approved leave of absence pursuant to the Employer's personnel rules shall not incur a break in service for purposes of this Plan.

ARTICLE II
CONTRIBUTIONS

2.1 Amount of Employee Contributions

Each Employee eligible to participate in the Plan shall contribute a percentage equal to eight and twenty-five hundredths percent (8.25%) of his or her Compensation to the Plan each year at such times and in the manner established by the Employer. Such Employee contributions shall be considered pre-tax contributions in accordance with Section 2.3 of the Plan. Employee contributions shall be subject to change based on an actuarial study performed at least every two (2) or three (3) years as long as the Plan exists. At all times, Employee contributions under this Plan shall be at least fifty percent (50%) of the normal cost for the Plan.

2.2 Amount of Employer Contributions

The Employer shall contribute an amount determined by an actuarial study performed at least every two (2) or three (3) years as long as this Plan exists.

2.3 Pick Up of Mandatory Contributions

In accordance with Section 414(h) of the Code, the mandatory Employee contributions required under Section 2.1 shall be picked up by the Employer.

2.4 Administrative Expenses

In accordance with Section 53217 of the Act, the Employer may make contributions to the Trust sufficient to defray all or part of the expenses of administering the Plan or may pay such expenses directly.

ARTICLE III
BENEFITS

3.1 Retirement Benefits

The Retirement Benefit shall be paid in the Normal Form of Benefit and shall be an amount equal to one-twelfth (1/12) of the product of the Member's Benefit Service, times the Member's Final Pay, times two percent (2.00%), payable at age sixty-two (62).

3.2 Survivor Continuance Benefit

No Survivor Continuance Benefit shall be provided unless the Member elects to have the benefit paid in an optional form of benefit.

3.3 Pre-Retirement Disability Benefit

No Pre-Retirement Disability Benefits shall be provided under the Plan.

3.4 Pre-Retirement Death Benefit

Pre-Retirement Death Benefits shall be provided under the Plan to a Member's surviving spouse or registered domestic partner. If the Member dies after completing five (5) years of full-time service with the Employer and attainment of at least age sixty-two (62), the benefit shall be equal to the benefit under Section 3.1, actuarially reduced as if the Member had retired on his or her date of death and elected a 100% joint-and-survivor option. If the Member dies after completing five (5) years of full-time service with the Employer but prior to attaining age sixty-two (62), the benefit shall commence on the first of the month following the date the Member would have attained age sixty-two (62), in an amount equal to the 100% joint-and-survivor option.

The benefit will be paid over the lifetime of the surviving spouse or registered domestic partner. There is no Pre-Retirement Death Benefit payable if there is no surviving spouse or registered domestic partner other than the Withdrawal Benefit available pursuant to Section 3.6.

3.5 Deferred Benefit

Employees eligible pursuant to Section 1.1 who terminate employment with the Employer with at least five (5) years of full-time service with the Employer and prior to attaining age sixty-two (62), shall be eligible for a deferred Retirement Benefit upon satisfying all of the requirements under Section 1.2.

3.6 Withdrawal Benefit

Employees eligible pursuant to Section 1.1 who terminate employment or are terminated whether voluntarily, involuntarily, by death, disability or in any other manner prior to completing five (5) years of full-time service with the Employer, will receive one hundred percent (100%) of their Employee contributions made to the Plan plus three percent (3%) interest per annum.

3.7 Purchase of Service Credit

An Employee who meets the requirements of Section 1.1 is eligible to purchase service credit for years of full-time service with the Employer prior to July 1, 2015, to be counted toward the Employee's Benefit Service under Section 3.1 of the Plan. The amount of purchased service credit shall not exceed the actual years of full-time service earned with the Employer prior to July 1, 2015.

The cost to purchase service credit shall be determined by an enrolled actuary. The cost to purchase service credit shall be fully funded by the Employee through a lump sum transfer from another eligible retirement plan. Funds to purchase service credit shall be deposited into

the Trust no later than ninety (90) days after certification of the cost. The certification fee shall be paid by the Employee.

3.8 Designation of Beneficiary

(a) Each Member shall have the right to designate a Beneficiary to receive the death benefits, if any, that are payable to a Beneficiary from this Plan. Such designation does not permit the Member to change a person identified under another provision of the Plan as being eligible to receive a benefit. Such designation must be evidenced by a written instrument filed with the Employer, on a form prescribed by the Employer, and signed by the Member.

(b) The Beneficiary for a married Member shall be the Member's spouse at the date of death, unless the written consent of such spouse is provided upon a form acceptable to the Employer. Each such designation for death benefits must be evidenced by a written instrument filed with the Employer, on a form prescribed by the Employer, and signed by the Member. If no such designation is on file with the Employer at the time of the death of the Member, or if for any reason at the sole discretion of the Employer, such designation is defective, then the spouse of such Member shall be conclusively deemed to be the Beneficiary designated to receive such benefit.

(c) The signature of the Member's spouse shall be required on a designation of beneficiary form or an application for a benefit under the Plan if the spouse is not the beneficiary, unless the Member declares in writing that one of the following conditions exists:

(1) The Member is not married;

(2) The Member does not know, and has taken all reasonable steps to determine the whereabouts of the spouse;

(3) The spouse is incapable of executing the acknowledgment because of an incapacitating mental or physical condition;

(4) The Member and spouse have executed a marriage settlement agreement that makes the community property laws inapplicable to the marriage; or

(5) The current spouse has no identifiable community property interest in the benefits.

(d) For purposes of this Section 3.8 only, all references in this Section 3.8 to the term "marriage" shall also include the term "registered domestic partnership." All references to the term "married" shall also include "registered domestic partnership" and all references in this Section 3.8 to the term "spouse" shall also include the term "registered domestic partner." The inclusion of "registered domestic partner" in the definition of "spouse" shall not apply for the purposes of Sections 5.3, 5.6 and 7.2.

ARTICLE IV

VESTING

4.1 Vesting

A Member will be fully Vested in his or her Retirement Benefit upon meeting the requirements of Section 1.2.

4.2 Full or Partial Termination

Notwithstanding the vesting schedule, upon the complete discontinuance of Employer contributions to the Plan or upon any full or partial termination of the Plan, the Member's Retirement Benefit shall become one hundred percent (100%) Vested.

4.3 Attainment of Normal Retirement Age

A Member shall be fully Vested in his or her Retirement Benefit upon attainment of Normal Retirement Age and fulfilling all requirements established in Section 1.2.

4.4 Effect of Vesting

Vesting shall entitle a Member to payment during his or her lifetime of the Retirement Benefit at the times and upon the conditions specified herein, and shall entitle the Member's survivor or Beneficiary to any death benefits provided herein. Any unpaid Retirement Benefits are forfeited upon the Member's death under the Normal Form of Benefit.

ARTICLE V
DISTRIBUTIONS

5.1 Normal Form of Benefit

Unless the Member elects an optional form of benefit under Section 5.2, payments to a Member of a Retirement Benefit shall be made in the form of monthly payments commencing pursuant to Section 1.3 and ending on the first day of the month in which the Member's death occurs, in the amount specified in Section 3.1. The Retirement Benefit shall be subject to an annual compounding cost-of-living adjustment effective on the anniversary date of commencement of the Retirement Benefit. The amount of such cost of living adjustment shall be two percent (2%) per year, provided that the payment for any year shall not exceed the payment that would have resulted from the cumulative application since the date of benefit commencement (on an annually-compounded basis) of the lesser of (i) a two percent (2%) annual increase, or (ii) an annual increase equal to the increase in the Consumer Price Index for All Urban Consumers issued by the Bureau of Labor Statistics. For avoidance of doubt, if the application of the foregoing proviso causes the increase to the payment in any year to be less than two percent (2%), then the increase to the payment in any subsequent year may be greater than two percent (2%). Furthermore, in no circumstances shall the amount of the payment be decreased. This form of payment shall be the "Normal Form of Benefit."

5.2 Optional Forms of Benefit

In lieu of the Normal Form of Benefit, a Member may elect a form of benefit payment of Actuarial Equivalence as follows:

(a) **Joint and 100% Survivor Continuance:** Under this form of payment:

(1) The Member receives a reduced monthly benefit, and if the Member predeceases the Beneficiary, the Beneficiary will receive a monthly payment for the life of the Beneficiary equal to 100% of such reduced monthly benefit; provided, however, that if the Beneficiary is not the spouse of the Member, this form of payment shall be available only to the extent permitted pursuant to Section 5.3(b)(4)(A).

(2) If the Beneficiary predeceases the Member, the Member's reduced monthly payment will not increase.

(3) The Member's designation of a Beneficiary shall become irrevocable upon the Member's retirement if electing this form of payment.

5.3 Limitations

(a) In the case of a Member who attains age 70-1/2, distribution of such Member's entire interest must commence not later than the first day of April following the later of the calendar year in which such Member attains age 70-1/2 or the calendar year in which the Member retires (the "Required Beginning Date"). In all cases, distributions shall be made in at least the amounts determined in accordance with Section 401(a)(9) of the Code and the regulations thereunder, as described in Section 5.3(b) below.

(b) With respect to required minimum distributions under this Section 5.3 for calendar years beginning after December 31, 2002, the following rules shall apply:

(1) All distributions required under this Section 5.3 shall be determined and made in accordance with the Treasury Regulations under Section 401(a)(9) of the Code. The requirements of this Section 5.3 will take precedence over any inconsistent provisions of the Plan, provided that this Section 5.3 shall not be considered to allow a Member or

Beneficiary to delay a distribution or elect an optional form of benefit not otherwise provided in the Plan.

(2) Time and Manner of Distribution

(A) The Member's entire interest will begin to be distributed to the Member no later than the Member's Required Beginning Date as defined in Section 5.3(a).

(B) If the Member dies before distributions begin, then the Member's entire interest will begin to be distributed no later than as follows:

(I) If the Member's surviving spouse is the Member's sole designated Beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member died, or by December 31 of the calendar year in which the Member would have attained age 70-1/2, if later.

(II) If the Member's surviving spouse is not the Member's sole designated Beneficiary, then distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

(III) If there is no designated Beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

(IV) If the Member's surviving spouse is the Member's sole designated Beneficiary and the surviving spouse dies after the Member but before distributions to the surviving spouse begin, this Section 5.3(b)(2)(B), other than Section 5.3(b)(2)(B)(I), will apply as if the surviving spouse were the Member.

For purposes of this Section 5.3(b)(2)(B) and Section 5.3(b)(5), distributions are considered to begin on the Member's Required Beginning Date (or, if Section 5.3(b)(2)(B)(IV) applies, the date distributions are required to begin to the surviving spouse under Section 5.3(b)(2)(B)(I)). If annuity payments irrevocably commence to the Member before the Member's Required Beginning Date (or to the Member's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 5.3(b)(2)(B)(I)), the date distributions are considered to begin is the date distributions actually commence.

(C) Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with Sections 5.3(b)(3), (4) and (5). If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury Regulations.

(3) Determination of Amount to be Distributed Each Year

(A) If the Member's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(I) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(II) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Sections 5.3(b)(4) or (5);

(III) once payments have begun under a fixed-term payout under Section 5.2 (if such a benefit is available), the fixed-term payout period will not be changed even if the period certain is shorter than the maximum permitted;

(IV) payments will either be non-increasing or increase only as follows:

(i) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(ii) to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 5.3(b)(4) dies or is no longer the Member's Beneficiary pursuant to a qualified domestic

relations order within the meaning of Section 414(p) of the Code;

or

(iii) to pay increased benefits that result from a Plan amendment.

(B) The amount that must be distributed on or before the Member's Required Beginning Date (or, if the Member dies before distributions begin, the date distributions are required to begin under Sections 5.3(b)(2)(B)(I) or (II)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Member's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date.

(C) Any additional benefits accruing to the Member in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(4) Requirements For Annuity Distributions That Commence During Member's Lifetime

(A) If the Member's interest is being distributed in the form of a benefit described in Section 5.2 for the joint lives of the Member and a nonspouse

Beneficiary, annuity payments to be made on or after the Member's Required Beginning Date to the designated Beneficiary after the Member's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Member using the table set forth in Q&A-2 of Section 1.401(a)(9)-6 of the Treasury Regulations. If the form of distribution combines a benefit described in Section 5.2 for the joint lives of the Member and a nonspouse Beneficiary and a fixed-term payout annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated Beneficiary after the expiration of the fixed-term payout period.

(B) Unless the Member's spouse is the sole designated Beneficiary and the form of distribution is a fixed-term payout annuity, the fixed-term payout period for an annuity distribution commencing during the Member's lifetime may not exceed the applicable distribution period for the Member under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations for the calendar year that contains the annuity starting date. If the benefit commencement date precedes the year in which the Member reaches age 70, the applicable distribution period for the Member is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations plus the excess of 70 over the age of the Member as of the Member's birthday in the year that contains the benefit commencement date. If the Member's spouse is the Member's sole designated Beneficiary and the form of distribution is a fixed-term payout annuity, the fixed-term payout period may not exceed the longer of the Member's applicable distribution period, as

determined under this Section 5.3(b)(4), or the joint life and last survivor expectancy of the Member and the Member's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Member's and spouse's attained ages as of the Member's and spouse's birthdays in the calendar year that contains the benefit commencement date.

(5) Requirements For Minimum Distributions Where Member Dies Before Date Distributions Begin

(A) If the Member dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Member's entire interest will be distributed, beginning no later than the time described in Sections 5.3(b)(2)(B)(I) or (II), over the life of the designated Beneficiary or over a fixed-term payout period not exceeding:

(I) unless the benefit commencement date is before the first distribution calendar year, the life expectancy of the designated Beneficiary is determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death; or

(II) if the benefit commencement date is before the first distribution calendar year, the life expectancy of the designated Beneficiary is determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the benefit commencement date.

(B) If the Member dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

(C) If the Member dies before the date distribution of his or her interest begins, the Member's surviving spouse is the Member's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 5.3(b)(5) will apply as if the surviving spouse were the Member, except that the time by which distributions must begin will be determined without regard to Section 5.3(b)(2)(B)(I).

(6) Definitions

(A) Designated Beneficiary. The individual who is designated as the Beneficiary under Section 3.8 and is the designated Beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury Regulations.

(B) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 5.3(b)(2)(B).

(C) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(D) Required Beginning Date. The date set forth in Section 5.3(a).

5.4 Cash Out of Small Benefits

If the Actuarial Equivalence of a Member's Normal Retirement Benefit is less than \$5,000 at the time of termination of employment, such benefit shall be paid as a single cash lump sum in lieu of any other benefits hereunder.

5.5 Actuarial Equivalence

Actuarial Equivalence shall be determined using the mortality assumption based on the 1983 Group Annuity Mortality (GAM) table and the interest assumption shall be 6% per annum.

5.6 Direct Rollovers

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Plan, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(b) A Beneficiary who is not the spouse of the Member may elect a direct trustee to trustee transfer that qualifies as an eligible rollover distribution under this Section 5.6.

Such transfer shall be made to an individual retirement plan described in Section 408(a) of the Code or a Roth IRA described in Section 408A of the Code that is established for the purpose of receiving the distribution on behalf of such Beneficiary. Such individual retirement account shall be deemed an inherited IRA pursuant to the provisions of Section 402(c)(11) of the Code. Also, in this case, the determination of any required minimum distribution under Section 401(a)(9) of the Code that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395.

(1) Definitions

(A) Eligible Rollover Distribution

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include the following: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or the life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; (ii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and (iii) any hardship distribution. A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only: (A) to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, a Roth IRA described in Section 408A of the Code or (B) to a qualified defined benefit, defined contribution or annuity plan described in Section 401(a) of the Code or Section 403(b) of the Code, that agrees to separately account for amounts so transferred (and earnings thereon), including separately

accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible.

(B) Eligible Retirement Plan

An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, a qualified plan described in Section 401(a) of the Code that accepts the distributee's eligible rollover distribution, an annuity contract described in Section 403(b) of the Code, a Roth IRA described in Section 408A of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.

(C) Direct Rollover

A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

ARTICLE VI

ADMINISTRATION AND AMENDMENT OF PLAN

6.1 Member's Rights Not Subject To Execution

The right of a Member to a benefit under this Plan is not assignable and is not subject to execution or any other process whatsoever, except to the extent permitted by the Code of Civil Procedure and the Family Code of the State of California. Any payment hereunder required under the California Family Code to a person other than the Member must not alter the form or amount of benefits hereunder, except that to the extent provided in a valid court order, an Actuarial Equivalent payment may be made to the spouse or child of a Beneficiary pursuant to a qualified domestic relations order (as defined in Section 414(p) of the Code) prior to the Member's retirement.

6.2 Rules and Regulations

The Employer has full discretionary authority to supervise and control the operation of this Plan in accordance with its terms and may make rules and regulations for the administration of this Plan that are not inconsistent with the terms and provisions hereof. The Employer shall determine any questions arising in connection with the interpretation, application or administration of the Plan (including any question of fact relating to age, employment, compensation or eligibility of Employees) and its decisions or actions in respect thereof shall be conclusive and binding upon any and all persons and parties.

The Employer shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To determine all questions relating to the eligibility of Employees to participate;
- (b) To construe and interpret the terms and provisions of the Plan;

(c) To compute, certify to, and direct the Trustee with regard to the amount and kind of benefits payable to the Members and their Beneficiaries;

(d) To authorize all disbursements by the Trustee from the Trust;

(e) To maintain all records that may be necessary for the administration of the Plan other than those maintained by the Trustee; and

(f) To appoint a Plan Administrator or, any other agent, and to delegate to them or to the Trustee such powers and duties in connection with the administration of the Plan as it may from time to time prescribe, and to designate each such administrator or agent as a fiduciary with regard to matters delegated to him.

With respect to management and control of investments, the Employer shall have the power to direct the Trustee in writing with respect to the investment of the Trust assets or any part thereof. Where investment authority, management and control of Trust assets have been delegated to the Trustee by the Employer, the Trustee shall be a fiduciary with respect to the investment, management and control of the Trust assets contributed by the Employer and Members with full discretion in the exercise of such investment, management and control. Where investment authority, management and control of Trust assets are not specifically delegated to the Trustee, the Trustee shall be subject to the direction of the Employer.

Expenses and fees in connection with the administration of the Plan and the Trust shall be paid from the Trust assets to the fullest extent permitted by law, unless the Employer determines otherwise.

To the extent determined by the Employer or its delegatee, elections and consents made by means of electronic media shall be permissible if made according to the relevant provisions of Treasury Regulation Section 1.401(a)-21.

6.3 Amendment and Termination

The Employer shall have the right to amend, modify or terminate this Plan at any time. In the event of the complete discontinuance of this Plan, the entire interest of each Member affected thereby shall immediately become 100% Vested. All benefits hereunder shall be payable solely from the assets of the Trust. After all liabilities of this Plan to Members and their Beneficiaries have been satisfied, any residual assets of this Plan shall be used for such purposes as determined by the Employer, including a distribution of the assets to the general funds of the Employer.

6.4 Military Service

Effective December 12, 1994, and notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code. In the case of a Member who dies while performing qualified military service, the survivors of the Member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Member resumed and then terminated employment on account of death. A Member receiving a "differential wage payment," as defined in Section 3401(h)(2) of the Code shall be treated as an Employee of the Employer, and the differential wage payment shall be treated as Compensation.

ARTICLE VII

ANNUAL BENEFIT LIMITATIONS

7.1 Definitions and Application

As used in this Article VII, the following terms shall have the meanings specified below. Unless otherwise stated below, the provisions of this Article VII shall apply to Limitation Years beginning on or after July 1, 2009.

“**Affiliated Company**” means a company required to be aggregated with the Employer for purposes of Sections 414(b) and (c) of the Code, provided, however, the determination under Section 414(b) and (c) of the Code shall be made as if the phrase “more than 50 percent” were substituted for the phrase “at least 80 percent” each place it is incorporated into Section 414(b) and (c) of the Code.

“**Annual Benefit**” means a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) under a plan to which Employees do not contribute and under which no rollover contributions are made, or to which assets have been transferred from a qualified plan that was not maintained by the Employer. If the benefit is payable in a form other than a straight life annuity, such form must be adjusted actuarially to be the equivalent of a straight life annuity before applying the limitations of Section 7.2(a). The actuarial adjustment to the equivalent of a straight life annuity will apply to all plan benefits except as set forth herein. The actuarial adjustment shall be made in accordance with the provisions of Treasury Regulation Section 1.415(b)-1(c), which are incorporated herein by reference. No actuarial adjustment is required for the following: qualified joint and survivor annuity benefits, pre-retirement disability benefits, pre-retirement death benefits, post-retirement medical benefits, and the value of an automatic benefit increase feature made in accordance with applicable Treasury Regulations.

“**Employer**” means the Employer and any Affiliated Company that adopts this Plan.

“**Limitation Year**” means a twelve-consecutive month period beginning on the Anniversary Date. If the Limitation Year is amended to a different twelve-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

“**Related Plan**” means any other defined benefit plan (as defined in Section 415(k) of the Code) maintained by the Employer.

“**Year of Participation**” means the Employee shall be credited with a Year of Participation for each year in which the Employee has met the requirements of Section 1.2(a). An Employee who is permanently and totally disabled within the meaning of Section 415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period. In addition, for an Employee to receive a Year of Participation for an accrual computation period, the Plan must be established no later than the last day of such accrual computation period. In no event will more than one Year of Participation be credited for any twelve-month period.

7.2 Annual Limitation on Benefits

Notwithstanding any other provision of the Plan:

(a) The Annual Benefit payable with respect to a Member under the Plan for any Limitation Year shall not exceed an amount equal to \$160,000, or such other dollar limitation determined for the Limitation Year by automatically adjusting the \$160,000 limitation by the cost of living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code in such manner as the Secretary shall prescribe. The new dollar limitation shall apply to Limitation Years ending within the calendar year of the date of the adjustment. Cost of

living adjustments to the dollar limitation occurring after severance from employment are taken into account.

(b) If the Member has less than ten Years of Participation with the Employer, the limitation in Section 7.2(a) shall be reduced by multiplying it by a fraction, the numerator of which is the Member's full and partial Years of Participation, and the denominator of which is ten. To the extent provided in Treasury Regulations or in other guidance issued by the Internal Revenue Service, the preceding sentence shall be applied separately with respect to each change in the benefit structure of the Plan. The reduction provided in this paragraph does not apply to payments made to the Member if his payments commence after he has become disabled (within the meaning of Section 415(b)(2)(I) of the Code), and does not apply to payments made on account of the Member's death.

(c) If the Annual Benefit of a Member begins prior to age 62, the limitation under Section 7.2(a) applicable to the Member at such earlier age is an Annual Benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the limitation applicable to the Member at age 62 (adjusted under subsection 7.2(b) above, if required). The limitation applicable at an age prior to age 62 shall be determined in accordance with the provisions of Treasury Regulation Section 1.415(b)-1(d), which are incorporated herein by reference. The reduction in this Section 7.2(c) shall not apply for a Member who is a "qualified participant," as defined in Section 415(b)(2)(H) of the Code.

(d) If the Annual Benefit of a Member begins after age 65, the limitation under Section 7.2(a) applicable to the Member at such later age is an Annual Benefit payable in the form of a straight life annuity beginning at the later age that is the actuarial equivalent of the limitation applicable to the Member at age 65 (adjusted under subsection 7.2(b) above, if required). The

limitation applicable at an age after age 65 shall be determined in accordance with the provisions of Treasury Regulation Section 1.415(b)-1(e), which are incorporated herein by reference.

(e) Pursuant to Treasury Regulation Section 1.415(b)-1(a)(7)(iii), the rate of a Member's accrual shall not be limited by this Article VII (but at all times the annual benefit payable to the Member is subject to the limits set forth in this Article VII).

(f) The limitation in Section 7.2(a) is deemed satisfied if the Annual Benefit payable to a Member is not more than \$1,000 multiplied by the Member's number of years of service or parts thereof (not to exceed ten) with the Employer, and the Employer (or a predecessor employer) has not at any time maintained a defined contribution plan in which such Member participated.

If the Employer maintains one or more defined benefit plans, in addition to this Plan, covering an Employee who is also a Member in this Plan, the sum of the Annual Benefits of all the plans will be treated as a single benefit for the purposes of applying the limitations of Section 7.2(a). For purposes of the preceding sentence, Annual Benefits under a "qualified governmental excess benefit arrangement," as described in Section 415(m)(3) of the Code, shall be disregarded. If the Annual Benefits exceed, in the aggregate, the limitations of Section 7.2(a), the Annual Benefits under this Plan will be reduced (but not below zero) until the sum of the benefits of the Related Plan(s) satisfy the limitations. In the case of an individual who was a Member in one or more defined benefit plans of the Employer as of the first day of the first Limitation Year beginning after December 31, 1986, the application of the limitations of this Section 7.2 shall not cause the limitation under Section 7.2(a) for such individual under all such defined benefit plans to be less than the individual's current accrued benefit. The preceding sentence applies only if such defined benefit plans met the requirements of Section 415 of the Code, for all Limitation Years beginning before May 6, 1986. For purposes of this Section

7.2(f), an individual's current accrued benefit means a Member's accrued benefit under the Plan, determined as if the Member had separated from service as of the close of the last Limitation Year beginning before January 1, 1987, when expressed as an annual benefit within the meaning of Section 415(b)(2) of the Code. In determining the amount of a Member's current accrued benefit, the following shall be disregarded: (i) any change in the terms and conditions of the Plan after May 5, 1986; and (ii) any cost of living adjustments occurring after May 5, 1986.

(g) If a Member makes one or more contributions to the Plan to purchase "permissive service credit," as defined in Section 415(n)(3) of the Code, then the limitations of this Article VII shall be treated as met only if either (i) the limitations provided in Section 415(b) of the Code are met, determined by treating the accrued benefit derived from such contributions as an annual benefit for purposes of Section 415(b) of the Code, or (ii) the requirements of Section 415(c) of the Code are met, determined by treating all such contributions as annual additions for purposes of Section 415(c) of the Code.

ARTICLE VIII
DEFINITIONS

8.1 Definitions

Whenever the following terms are used in the Plan, with the first letter capitalized, they shall have the meanings specified below.

“**Act**” means California Government Code.

“**Anniversary Date**” means July 1.

“**Beneficiary**” means the person, persons, trust or trusts designated by a Member, or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefit specified under this Plan if the Member dies and means the Member’s executor or administrator if no other beneficiary is designated and able to act under the circumstances.

“**Benefit Service**” means the total number of full and partial years of full-time service with the Employer commencing on or after July 1, 2015 through the Member’s separation of employment with the Employer (treating each month in which the Member was employed on a full-time basis as one-twelfth of a year), plus any service credit purchased in accordance with Section 3.7 of the Plan.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Compensation**” means all compensation for that portion of the Plan Year during which the Employee was a Member, paid in cash by the Employer to the Member for personal services. Compensation in excess of \$265,000 (as adjusted through 2015) shall be disregarded. Such amount shall thereafter be adjusted for increases in the cost of living in accordance with Section 401(a)(17) of the Code, except that the dollar increase in effect on January 1 of any calendar year shall be effective for the Plan Year beginning with or within such calendar year. For any short

Plan Year the Compensation limit shall be an amount equal to the Compensation limit for the calendar year in which the Plan Year begins multiplied by a ratio obtained by dividing the number of full months in the short Plan Year by twelve (12). "Compensation" for any Plan Year shall be further limited as required by California Government Code Section 7522.10(c). Accordingly, such Employee's Compensation shall not exceed one hundred percent (100%) of the maximum taxable earnings under Social Security as of 2015 (adjusted annually by changes to the Consumer Price Index for All Urban Consumers) and shall be based on the normal monthly rate of pay or base pay of the Employee paid in cash to similarly situated Employees of the same group or class of employment for services rendered during normal working hours, pursuant to publicly available pay schedules as required by California Government Code Section 7522.34.

"Effective Date" means, unless otherwise indicated herein, July 1, 2015.

"Eligible Class of Employees" means the eligible class of employees as provided herein and in the applicable governing body policies and regulations promulgated thereunder by the Employer.

"Eligible Employee" means an Employee who meets the requirements as described in Section 1.1.

"Employee" means an employee of the Employer.

"Employee Contribution Account" means the account by that name established pursuant to Section 2.1 hereof.

"Employer" means the Montara Water and Sanitary District that has adopted this Plan.

"Final Pay" means the highest average annual Compensation paid to an Employee during any thirty-six (36) consecutive months of employment with the Employer.

“Ineligible Employee” means an ineligible employee as provided herein and in the applicable governing body policies and regulations promulgated thereunder by the Employer.

“Member” means an Employee eligible to receive benefits under this Plan.

“Normal Form of Benefit” means the form of benefit described in Section 5.1.

“Normal Retirement Age” means age sixty-two (62) and meeting the requirements of Section 1.2.

“Plan” means the Montara Water and Sanitary District PARS Defined Benefit Plan.

“Plan Administrator” means the individual or position designated by the Employer to act on behalf of the Employer in matters relating to this Plan. If no designation is made, the Employer shall be the Plan Administrator. If a Plan Administrator has been appointed the word “Employer” as used in this Plan shall mean Plan Administrator unless the context indicates a different meaning is intended.

“Plan Year” means the consecutive twelve-month period beginning on July 1 and ending on June 30.

“Public Agency” means an employer authorized under California Government Code Article 1.5, Sections 53215 through 53224 to establish a pension trust.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time pursuant to the Code.

“Retirement Benefits” means the benefits payable to the Member following retirement, as described in Article III.

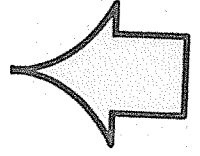
“Trust” means the trust established as part of the Public Agency Retirement System to hold the assets of the Plan.

“Trustee” means the trustee of the Trust.

“Vested” means the nonforfeitable portion of any account maintained on behalf of a Member.

**ADOPTION OF THE
MONTARA WATER AND SANITARY DISTRICT
PARS DEFINED BENEFIT PLAN**

The Montara Water and Sanitary District is hereby adopted effective July 1, 2015.



By: _____
Clemens H. Heldmaier

Title: General Manager

Date: _____

Plan Submission to the IRS for a Letter of Determination

The decision to submit the foregoing Plan to the IRS shall be determined by the Plan Administrator pursuant to his or her initials below:

Yes, please submit the Plan to the IRS for a Letter of Determination.

No, do not submit this Plan to the IRS for a Letter of Determination.

If you answered Yes, please provide the following information:

Employer Tax ID# _____ Tax Year Ends _____

List all other qualified 401(a) retirement plans offered by the Employer

<i>Name of Qualified Plan</i>	<i>Defined Benefit or Defined Contribution</i>

AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement ("Agreement") is made this _____ day of _____, 2015, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services (hereinafter "PARS") and the Montara Water and Sanitary District ("Agency").

WHEREAS, Agency is desirous of retaining PARS, as Trust Administrator to the PARS Trust, to provide administrative and consulting services with respect to the Montara Water and Sanitary District PARS Defined Benefit Plan ("Plan");

NOW THEREFORE, THE PARTIES AGREE:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as "Exhibit 1A" ("Services") in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as "Exhibit 1B".
3. **Payment Terms.** Payment for Services will be remitted directly from Plan assets unless otherwise stated in Exhibit 1B. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.
4. **Fees for Services beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS' standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with a detailed description of the services, terms, and applicable rates for such services. Such services, terms, and applicable rates shall be agreed upon in writing and executed by both parties.
5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency's providing PARS the information specified in the exhibit attached hereto as "Exhibit 1C" ("Data"). It shall be the responsibility of the Agency to certify the accuracy, content and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the Plan, to determine or inquire whether contributions are adequate to meet and discharge

liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for non-performance of Services to the extent such non-performance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner, and pursuant to the specifications in Exhibit 1C, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.

6. **Suspension of Contributions.** In the event contributions are suspended, either temporarily or permanently, prior to the complete discharge of PARS' obligations under this Agreement, PARS reserves the right to bill the Agency for Services under this Agreement at the rates indicated in PARS' standard fee schedule in effect at the time the Services are provided, subject to the terms established in Section 3 of this Agreement. Before any such Services are performed, PARS will provide the Agency with written notice of the subject Services, terms, and an estimate of the fees therefore.
7. **Records.** During the term of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of the Agency access to all records and material relating to the calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.
8. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.
9. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.
10. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, employees, agents and attorneys, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of PARS or Agency's, as the case may be, acts, errors or omissions with respect to the performance of their respective duties hereunder.

11. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.
12. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.
13. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by such cause, including but not limited to: any incidence of fire, flood, acts of God, acts of terrorism or war, commandeering of material, products, plants or facilities by the federal, state or local government, or a material act or omission by the other party.
14. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to, and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.
15. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Board of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.
16. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. Mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:
 - (A) To PARS: PARS; 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660; Attention: President
 - (B) To Agency: Montara Water and Sanitary District; 8888 Cabrillo Highway, Montara, CA 94037; Attention: General ManagerNotices shall be deemed given on the date received by the addressee.
17. **Term of Agreement.** This Agreement shall remain in effect for the period beginning July 16, 2015 and ending June 30, 2018 ("Term"). This Agreement will continue unchanged for successive twelve-month periods following the Term unless either party gives written notice to the other party of the intent to terminate prior to ninety (90) days before the end of the Term.

18. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.
19. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement. In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.
20. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement, the prevailing party therein shall be entitled to receive its reasonable attorney's fees.
21. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.
22. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
23. **Effective Date.** This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

AGENCY:

BY: _____
Clemens Heldmaier

TITLE: General Manager

DATE: _____

PARS:

BY: _____
Tod Hammeras

TITLE: Chief Financial Officer

DATE: _____

EXHIBIT 1A

SERVICES

PARS will provide the following services for the Montara Water and Sanitary District PARS Defined Benefit Plan:

1. Plan Installation Services:

- (A) Assisting appropriate Agency personnel to finalize Plan provisions, implementation timelines, benefit communication strategies, data reporting and contribution submission requirements;
- (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
- (C) Providing the documentation needed to establish the Plan to be reviewed and approved by Agency legal counsel. Resulting final Plan document must be approved by the Agency prior to the commencement of PARS Plan Administration Services outlined in Exhibit 1A, paragraph 2 below;
- (D) Upon Agency authorization, preparing and submitting application to the Internal Revenue Service for a determination that the Plan is qualified (the application fee and any legal fees incurred associated with the filing of the application shall be paid by the Agency). Such fees will not be charged to the Agency without prior authorization by the Plan Administrator.

2. Plan Administration Services:

- (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Trust Program ("Trustee"), based upon information received from the Agency and the Trustee;
- (B) Performing periodic accounting of Plan assets, including the allocation of employer/employee contributions, distributions, investment activity and expenses (if applicable), based upon information received from the Agency and/or Trustee;
- (C) Acting as ongoing liaison between the Participant and the Agency in regard to distribution payments, which shall include use by the Participants of toll-free telephone communication to PARS;
- (D) Producing benefit illustrations and processing enrollments;
- (E) Coordinating the processing of Participant distribution payments pursuant to authorized written Agency certification of distribution eligibility, authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;
- (F) Directing Trustee to liquidate Plan assets (if necessary) and make Participant distribution payments, and providing required tax filings regarding said distribution payments;

- (G) Notifying the Trustee of the amount of Plan assets available for further investment and management, or, the amount of Plan assets necessary to be liquidated in order to fund Participant distribution payments;
 - (H) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope of this Agreement;
 - (I) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
 - (J) Preparing and submitting an annual report of Plan activity to Participants and to the Agency;
 - (K) Coordinating and selecting a licensed actuary to perform actuarial valuation on a periodic basis to comply with state and federal laws (the actuarial certification fee for which shall be paid by the Agency);
 - (L) Preparing and submitting the Annual Report of Financial Transactions to the California State Controller, as required by law, for the PARS Trust Program, including the required certified audit of the PARS Trust.
3. Plan Compliance Services: Preparing draft amendments and other associated documents to the Plan or Trust, as required by federal and state regulatory agencies, to be reviewed and approved by Agency's legal counsel. As directed by the Agency, PARS shall coordinate the filings of any Plan amendments and restatements with the corresponding federal and state regulatory agencies.
4. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.

EXHIBIT 1B

FEES FOR SERVICES

PARS will be compensated for performance of Services, as described in Exhibit 1A based upon the following schedule:

- (A) An optional IRS Letter of Determination fee payable directly to the Internal Revenue Service (IRS) based on current IRS rates at the time of filing;
- (B) A one-time set-up fee upon implementation of Plan of \$3,000.00 ("Set-up Fee"), which shall be paid directly by the Agency to PARS;
- (C) A monthly fee of \$750.00 ("Monthly Fee") commencing on August 1, 2015 which shall be paid directly by the Agency to PARS, and subject to an annual 3% increase every July 1st beginning in 2016;
- (D) A fee equal to actuarial expenses charged to PARS by an outside contractor for an actuarial valuation of the Agency's Plan ("Actuarial Valuation Fee");
- (E) A fee equal to the out of pocket costs charged to PARS by an outside contractor for formatting contribution data to a suitable electronic format, charged only if the contribution data received by PARS from the Agency is not sent electronically (Excel, CSV, TXT, or other approved format) ("Data Processing Fee");
- (F) A fee equal to any IRS application fees and or legal fees incurred related to any federal or state required Plan compliance changes. Such fees will not be charged to the Agency without prior authorization by the Plan Administrator.

EXHIBIT 1C

DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information:

1. Participant Data (Submitted By Agency)
 - (A) Participant's Legal Name
 - (B) Participant's Position
 - (C) Participant's Birth Date
 - (D) Participant's Hire Date
 - (E) Participant's Salary
 - (F) Years of Agency Service
 - (G) Retirement Date
2. Contribution Data – (Submitted By Agency)
 - (A) Agency Name
 - (B) Employee's Legal Name
 - (C) Employee's Social Security Number
 - (D) Payroll Date
 - (E) Employee Contribution Amount
3. Executed Legal Documents (Submitted by Agency)
 - (A) Certified Resolution
 - (B) PARS Trust Adoption Agreement
 - (C) Plan Document
 - (D) Trustee Investment Forms
4. Application for PARS Benefit Form (Submitted by Agency)
5. Completed Enrollment Forms (Submitted by Participant)
 - (A) Enrollment Form
 - (B) Beneficiary Designation Form
 - (C) Tax Withholding Request Form
 - (D) Proof of Age
6. Other information pertinent to the Services as reasonably requested by PARS.

INVESTMENT STRATEGY SELECTION AND DISCLOSURE FORM DB PLANS

Institutional Trust and Custody

This document is entered into by client and U.S. Bank National Association ("U.S. Bank"), as trustee.

Date: / /

Agency or District: Montara Water and Sanitary District

Plan Name: Montara Water and Sanitary District PARS Defined Benefit Plan

To: HighMark Capital Management, Inc. and U.S. Bank

U.S. Bank has been or is hereby appointed Investment Manager of the above-referenced Plan. Please invest the assets of the above-referenced Plan and Trust for which you have been appointed Investment Manager in the (select one of the strategies listed below):

<input type="checkbox"/> Liquidity Management (US Treas)	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations.	Money Market Fund
<input type="checkbox"/> Liquidity Management (US Gov't)	Provide current income with liquidity and stability of principal through investments in short-term obligations issued or guaranteed by the U.S. government and its agencies.	Money Market Fund
<input type="checkbox"/> Liquidity Management (Diversified)	Generate current income with liquidity and stability of principal.	Money Market Fund
<input type="checkbox"/> Short-to-Intermediate Term Fixed Income Strategy	Maximize income consistently with a low level of price volatility.	Fixed Income Fund
<input type="checkbox"/> Conservative HighMark PLUS <input type="checkbox"/> Conservative Index PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20% Fixed Income: 60-95% Cash: 0-20%
<input type="checkbox"/> Moderately Conservative HighMark PLUS <input type="checkbox"/> Moderately Conservative Index PLUS	Provide current income with capital appreciation as a secondary objective.	Equity: 20-40% Fixed Income: 50-80% Cash: 0-20%
<input type="checkbox"/> Moderate HighMark PLUS <input type="checkbox"/> Moderate Index PLUS	Provide current income and moderate capital appreciation.	Equity: 40-60% Fixed Income: 40-60% Cash: 0-20%
<input type="checkbox"/> Balanced HighMark PLUS <input type="checkbox"/> Balanced Index PLUS	Provide growth of principal and income.	Equity: 50-70% Fixed Income: 30-50% Cash: 0-20%
<input type="checkbox"/> Capital Appreciation/HighMark PLUS <input type="checkbox"/> Capital Appreciation/Index PLUS	Primary goal is growth of principal	Equity: 65-85% Fixed Income: 10-30% Cash: 0-20%
<input type="checkbox"/> Custom	Specify:	Equity: Fixed Income: Cash:

DIVERSIFIED PORTFOLIO

Note: HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of index-based mutual funds or exchange-traded funds

INVESTMENT STRATEGY
SELECTION AND DISCLOSURE
FORM DB PLANS

ACKNOWLEDGED AND APPROVED

X	General Manager
Authorized Signer	Title
Clemens Heldmaier	/ /
Print Name	Date
Authorized Signer	Authorized Signer

PARS DISCRETIONARY TRUSTEE FEE SCHEDULE

Institutional Trust and Custody

ANNUAL FEES

Trust/Custody Fees

All Plan assets

0.12% on all incoming contributions

Investment Management Fees

Investment Management Fees are based on the Investment Strategy you select. Following is a list of the investment management fees applicable to each Investment Strategy:

- ▣ Liquidity — First American U.S. Treasury Money Market Fund – Fund level fees only (see prospectus)
- ▣ Liquidity — First American U.S. Government Money Market Fund – Fund level fees only (see prospectus)
- ▣ Liquidity — First American Diversified Money Market Fund – Fund level fees only (see prospectus)
- ▣ Short to Intermediate Term Fixed Income Strategy:

U.S. Bank, N.A. provides investment management services for the assets actively managed in the PARS Short to Intermediate - Term Fixed Income Account. The annual fee on the account's asset value is prorated and charged monthly*:

.12% on the first	\$75,000,000
.10% on the next	\$25,000,000
.05% on all over	\$100,000,000

*Holdings in First American Money Market Funds are not charged at the above rates, but instead are assessed management fees at the fund level as disclosed in the First American Money Market Mutual Fund Prospectus. As of 11/30/2013, the account held \$153,045,032.10 in assets resulting in a blended rate of .09%.

- ▣ Diversified Portfolios (Conservative, Moderately Conservative, Moderate, Balanced, Capital Appreciation):

Per Annum Charges

All plan assets —

0.60%** up to \$150 million

0.55%** next \$50 million

0.50%** over \$200 million

**waived for plan assets invested in First American and Nationwide/HighMark where HighMark is sub-adviser of the fund. The total 11/30/13 value of the portfolios is \$188,254,457.63 resulting in a blended rate of .58%.

Stable Value

All plan assets — 0.25%***

***waived for plan assets invested in First American Money Market funds.

Other Fees

First American Mutual Funds — See Prospectus

Exchange Traded Funds — See PARS Investment Services Exhibit



**Mutual Fund Disclosure Statement for
U.S. Bank Account Sub-Advised by HighMark Capital Management, Inc.
Effective September 16, 2013**

HighMark Capital Management, Inc. ("HCM") has a sub-advisory relationship with U.S. Bank National Association ("US BANK") with respect to various trust accounts ("Client Accounts"). Under the sub-advisory relationship, HighMark has the authority to invest Client Accounts in a variety of mutual funds. Among the funds currently available are the mutual funds that are sub-advised by HCM, an SEC registered investment adviser and wholly owned investment management subsidiary of Union Bank, N.A., ("UNION BANK").

Fees for the services described below are paid by mutual funds to HCM for sub-advising certain of their funds. Additionally, US BANK charges your Account fees, either separately or bundled, for the services provided to you which may include investment management, custody, and other services. "Account" means the client trust managed by US BANK and sub-advised by HCM ("Sub-Advised Accounts"). To avoid management fee duplication for Sub-Advised Accounts, HCM and US BANK will reduce or waive the account level investment management fee with respect to any shares in any mutual funds sub-advised by HCM held in the Sub-Advised Accounts. You can contact your Account officer for an additional copy of your Account Fee Schedule.

HCM may receive certain indirect benefits from having your Sub-Advised Account(s) invested in mutual funds sub-advised by HCM because sub-advisory fees paid to HCM are based on the size of the sub-advised funds.

You have or will separately receive by mail or through electronic delivery prospectuses that contain information on the investment objectives, operation and fees for all mutual funds sub-advised by HCM that are available to Accounts of the type you have. **Read the prospectuses carefully.** Please review the prospectuses for mutual funds carefully to identify risks, investment objectives, any investment limitations and restrictions, and costs and expenses of investing in any mutual fund you purchase, including fees paid to service providers.

Investments in mutual funds are not insured by the FDIC or any other government agency, involve risk, including the possible loss of principal.

HCM is a sub-adviser to certain Nationwide HighMark Funds (see below the "Sub-Advised Funds" for fees received from Nationwide Funds) under sub-advisory agreements with Nationwide Mutual Funds, Nationwide Variable Insurance Trust and Nationwide Fund Advisers. HCM also has a sub-advisory agreement with American Independence Financial Services, LLC to sub-advice the American Independence Strategic Income Fund (see below the "Sub-Advised Funds" for fees received from American Independence). HCM may, from time to time, enter into sub-advisory agreements with other mutual fund companies to sub-advice their funds. HCM's fees for such services will vary.

FEES FOR SERVICES

The services performed for mutual funds sub-advised by HCM and the maximum fees which may be paid for such services are set forth below.

Investment Adviser Services (Sub-Advised Funds):

The table below shows the fees received by HCM as sub-adviser to Nationwide Mutual Funds, Nationwide Variable Insurance Trust, Nationwide Fund Advisers, and American Independence Financial Services, LLC.

Sub-Advised Funds	Fee Received (Annual Rate) Fiduciary Class
Nationwide HighMark Bond Fund	0.15% on Subadviser Assets† up to \$250 million; 0.125% on Subadviser Assets† of \$250 million and more but less than \$1 billion; 0.10% on Subadviser Assets† of \$1 billion and more
Nationwide HighMark California Intermediate Tax-Free Bond Fund Nationwide HighMark National Intermediate Tax-Free Bond Fund	0.25% on all Subadviser Assets†
Nationwide HighMark Short Term Bond Fund	0.10% on Aggregate Subadviser Assets†† up to \$500 million; 0.0975% on Aggregate Subadviser Assets†† of \$500 million and more but less than \$1 billion; 0.0925% on Aggregate Subadviser Assets†† of \$1 billion and more
Nationwide HighMark Large Cap Growth Fund	0.30% on all Subadviser Assets†

Mutual Fund Disclosure Statement

Sub-Advised Funds	Fee Received (Annual Rate) Fiduciary Class
Nationwide HighMark Value Fund	
Nationwide HighMark Balanced Fund	0.30% on all Subadviser Assets†
Nationwide HighMark Large Cap Core Equity Fund	0.27% on all Subadviser Assets†
Nationwide HighMark Small Cap Core Fund	0.475% on all Subadviser Assets†
NVIT Enhanced Income Fund	0.10% on Aggregate Subadviser Assets†† up to \$500 million; 0.0975% on Aggregate Subadviser Assets†† of \$500 and more but less than \$1 billion; 0.0925% on Aggregate Subadviser Assets†† of \$1 billion and more
NVIT Nationwide Fund	0.25% on Aggregate Subadviser Assets††† up to \$250 million; 0.20% on Aggregate Subadviser Assets††† of \$250 and more but less than \$1 billion; 0.18% on Aggregate Subadviser Assets††† of \$1 billion and more
Nationwide Fund	0.25% on Aggregate Subadviser Assets††† up to \$250 million; 0.20% on Aggregate Subadviser Assets††† of \$250 and more but less than \$1 billion; 0.18% on Aggregate Subadviser Assets††† of \$1 billion and more
Nationwide Short Duration Bond Fund	0.10% on Aggregate Subadviser Assets†† up to \$500 million; 0.0975% on Aggregate Subadviser Assets†† of \$500 and more but less than \$1 billion; 0.0925% on Aggregate Subadviser Assets†† of \$1 billion and more
Nationwide Enhanced Income Fund	0.10% on Aggregate Subadviser Assets†† up to \$500 million; 0.0975% on Aggregate Subadviser Assets†† of \$500 and more but less than \$1 billion; 0.0925% on Aggregate Subadviser Assets†† of \$1 billion and more
American Independence Strategic Income Fund	0.20% on Subadviser Assets† less 50% of any fee waivers

†Subadviser Assets are that portion of the assets of a Fund that the investment adviser to such Fund allocates and puts under the control of HCM as the sub-adviser.

††The term "Aggregate Subadviser Assets" means the aggregate amount resulting from the combination of Subadviser Assets of the Nationwide Enhanced Income Fund, Nationwide HighMark Short Term Bond Fund and Nationwide Short Duration Bond Fund, together with the Subadviser Assets of the NVIT Enhanced Income Fund, a series of Nationwide Variable Insurance Trust. These fees will be paid to HCM for its sub-advisory services.

††† The term "Aggregate Subadviser Assets" means the aggregate amount resulting from the combination of Subadviser Assets of the Nationwide Fund together with Subadviser Assets of the NVIT Nationwide Fund, a series of Nationwide Variable Insurance Trust. These Fees will be paid to HCM for its sub-advisory services.

Additional Services Provided To Mutual Funds Sub-Advised by HCM:

Other Services: HCM reserve the right to direct that certain brokerage transactions be performed through their affiliated broker. Such transactions would be subject to "best execution" requirements, entered into solely pursuant to the provisions of applicable law and regulation, and only after approval by the Board of Trustees of mutual funds sub-advised by HCM. In the event of such transactions, the affiliates would be paid brokerage fees by mutual funds sub-advised by HCM.

HCM may receive soft dollar compensation from brokers consistent with section 28(e) of the Securities Exchange Act of 1934.

Transactions involving Morgan Stanley:

HCM's ultimate parent company, Mitsubishi UFJ Financial Group, Inc. ("MUFG") beneficially owns a minority interest of the common stock of Morgan Stanley and is also represented by membership on the Morgan Stanley Board of Directors. Morgan Stanley is the parent company of several registered broker-dealers, among other businesses. If HCM sub-advises your Account, the fact of MUFG's beneficial ownership interest in Morgan Stanley may limit HCM's ability to purchase an interest in a Morgan Stanley sponsored or advised asset or use Morgan Stanley brokerage services for your Sub-Advised Account without your written consent, and, in some cases, may wholly prevent such purchases and the use of Morgan Stanley brokerage services. However, HCM may invest some of your assets in Separately Managed Accounts, which may be available through an arrangement with unaffiliated third parties and their respective investment advisers who may invest in and/or may recommend mutual funds, ETFs, or other investment products of Morgan Stanley companies or its affiliates, if such securities or products meet applicable investment criteria, and may use Morgan Stanley brokerage services or one of its related persons as the broker-dealer for securities trades in seeking best execution or when they otherwise deem it appropriate.

USE OF MUTUAL FUNDS SUB-ADVISED BY HCM

Investment in the mutual funds sub-advised by HCM may be beneficial because it gives portability to Account holders whose Accounts provide for in-kind distributions or rollovers; results in diversification of Account assets, thereby potentially lowering overall investment risk; allows Account holders to benefit from professional management of the mutual funds' investments; and allows selection among a family of related funds for quick and inexpensive movement between funds in response to market shifts or changes in investment objectives. If we manage your Account, you can withdraw your consent to use of mutual funds sub-advised by HCM at any time by notifying, in writing, your Account's trust officer. If you direct investments in your Account, you may direct redemptions of investments in any HCM sub-advised mutual fund at any time as is the case with any mutual fund investments you hold in your Account.

Applicable fiduciary law and regulation require disclosure of relevant fee information for Sub-Advised Accounts so that the client or an independent fiduciary acting on the client's behalf may monitor the reasonableness of the total fees being received by HCM for its services to the Sub-Advised Account. Please sign below indicating you have read this Disclosure and consent to the use of the above-referenced funds and to HCM's receipt of the above fees.

I hereby acknowledge receipt of the prospectuses of the mutual funds. I also approve the receipt of fees by HCM in accordance with the information set forth in the Disclosure, in the funds' prospectuses, and in my Account Fee Schedule.

CLIENT / COMPANY / ENTITY NAME: MONTARA WATER AND SANITARY DISTRICT

Authorized Signer: Clemens Heldmaier

Title: General Manager

Signature of Authorized Signer: _____

Date: / /

Authorized Signer: _____

Title: _____

Signature of Authorized Signer: _____

Date: / /

U.S. Bank Disclosures

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, tax identification number, and other information that will allow us to identify you. We may also ask for identifying documents.

INVESTMENT RELATED DISCLOSURES

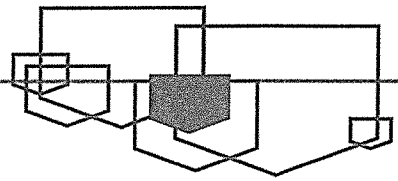
For a prospectus containing more complete information on First American Funds, including investment policies, risks, fees and expenses, please contact your investment professional, call First American Funds Investor Services at (800) 677-FUND (3863), or visit firstamericanfunds.com. Please read the prospectus carefully before you invest or send money.

U.S. Bank and other U.S. Bancorp affiliates receive compensation for services rendered to the First American Funds as disclosed in the funds' prospectuses. U.S. Bancorp Asset Management, Inc., a registered investment advisor and subsidiary of U.S. Bank, serves as the investment advisor to the First American Funds. The First American Funds are distributed by Quasar Distributors, LLC, a U.S. Bancorp affiliate.

NOT FDIC INSURED

NO BANK GUARANTEE

MAY LOSE VALUE



Authorized Signature Form

Montara Water and Sanitary District

Account/Plan Name: PARS Defined Benefit Plan

In accordance with the provisions of the above referenced account, the following people are authorized on behalf of the Plan/Account to direct U.S. Bank, N.A. to take action with regard to this account and hereby authorize and direct U.S. Bank, N.A. to act on directives signed by:

Name: Clemens Heldmaier

Title: General Manager

Signature: _____



Name: _____

Title: _____

Signature: _____

Name: _____

Title: _____

Signature: _____

Name: _____

Title: _____

Signature: _____

Authorized by:

I hereby acknowledge and represent that I am authorized on behalf of the Account/Plan to provide this authorized signature form to U.S. Bank, N.A. This form shall remain in effect until it is changed or revoked in writing by the Account/Plan. Any change or revocation of this form shall be effective upon U.S. Bank's receipt of such written notice.

Name: Clemens Heldmaier

Signature: _____

Title: General Manager

Date Signed: / /

Request for Taxpayer Identification Number and Certification

Give Form to the
 requester. Do not
 send to the IRS.

Print or type See Specific Instructions on page 2.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification; check only one of the following seven boxes: <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner. <input type="checkbox"/> Other (see instructions) ▶ _____	
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i>	
	5 Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
	6 City, state, and ZIP code	
	7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> </tr> </table>					-				
-									
or									
Employer identification number									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">-</td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> <td style="width: 25px; height: 20px;"></td> </tr> </table>					-				
-									

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.
Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/fw9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)

- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
 - Form 1099-C (canceled debt)
 - Form 1099-A (acquisition or abandonment of secured property)
- Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.
- If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding? on page 2.*
- By signing the filled-out form, you:
1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
 2. Certify that you are not subject to backup withholding, or
 3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
 4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States:

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity;
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust; and
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

Backup Withholding

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),

3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code* on page 3 and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships* above.

What is FATCA reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code* on page 3 and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account; for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Line 1

You must enter one of the following on this line; do not leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account, list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9.

a. **Individual.** Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

Note. ITIN applicant: Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040/1040A/1040EZ you filed with your application.

b. **Sole proprietor or single-member LLC.** Enter your individual name as shown on your 1040/1040A/1040EZ on line 1. You may enter your business, trade, or "doing business as" (DBA) name on line 2.

c. **Partnership, LLC that is not a single-member LLC, C Corporation, or S Corporation.** Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

d. **Other entities.** Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on line 2.

e. **Disregarded entity.** For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a "disregarded entity." See Regulations section 301.7701-2(c)(2)(iii). Enter the owner's name on line 1. The name of the entity entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2, "Business name/disregarded entity name." If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, you may enter it on line 2.

Line 3

Check the appropriate box in line 3 for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box in line 3.

Limited Liability Company (LLC). If the name on line 1 is an LLC treated as a partnership for U.S. federal tax purposes, check the "Limited Liability Company" box and enter "P" in the space provided. If the LLC has filed Form 8832 or 2553 to be taxed as a corporation, check the "Limited Liability Company" box and in the space provided enter "C" for C corporation or "S" for S corporation. If it is a single-member LLC that is a disregarded entity, do not check the "Limited Liability Company" box; instead check the first box in line 3 "Individual/sole proprietor or single-member LLC."

Line 4, Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space in line 4 any code(s) that may apply to you.

Exempt payee code.

- Generally, individuals (including sole proprietors) are not exempt from backup withholding.
- Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.
- Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.
- Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space in line 4.

- 1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)
- 2—The United States or any of its agencies or instrumentalities
- 3—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- 4—A foreign government or any of its political subdivisions, agencies, or instrumentalities
- 5—A corporation
- 6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or possession
- 7—A futures commission merchant registered with the Commodity Futures Trading Commission
- 8—A real estate investment trust
- 9—An entity registered at all times during the tax year under the Investment Company Act of 1940
- 10—A common trust fund operated by a bank under section 584(a)
- 11—A financial institution
- 12—A middleman known in the investment community as a nominee or custodian
- 13—A trust exempt from tax under section 664 or described in section 4947

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt payees 1 through 5 ²
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) written or printed on the line for a FATCA exemption code.

- A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)
- B—The United States or any of its agencies or instrumentalities
- C—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i)
- E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i)
- F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state
- G—A real estate investment trust
- H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940
- I—A common trust fund as defined in section 584(a)
- J—A bank as defined in section 581
- K—A broker
- L—A trust exempt from tax under section 664 or described in section 4947(a)(1)
- M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

Note. You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns.

Line 6

Enter your city, state, and ZIP code.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on this page), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, or 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code* earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number to Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee ¹ The actual owner ¹
5. Sole proprietorship or disregarded entity owned by an individual	The owner ³
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulations section 1.671-4(b)(2)(i) (A))	The grantor ¹
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity ⁴
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulations section 1.671-4(b)(2)(i) (B))	The trust

¹ List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or DBA name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴ List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 2.

*Note. Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.