

REGULAR MEETING OF THE BOARD  
OF THE  
**MARIN PUBLIC FINANCING AUTHORITY**

COUNTY OF MARIN, STATE OF CALIFORNIA

Las Gallinas Valley Sanitary District  
District Conference Room  
300 Smith Ranch Road  
San Rafael, California, 94903

Thursday, March 9, 2017  
2:00 P.M. – REGULAR BOARD MEETING

*To get the full Board Meeting Packet, please visit: [www.smcsd.net](http://www.smcsd.net) or [www.lgvsd.org](http://www.lgvsd.org)*

**AGENDA**

**REGULAR MEETING OF THE BOARD  
OF THE MARIN PUBLIC FINANCING AUTHORITY  
COUNTY OF MARIN, STATE OF CALIFORNIA**

**LAS GALLINAS VALLEY SANITARY DISTRICT  
300 SMITH RANCH ROAD  
SAN RAFAEL, CALIFORNIA 94903**

**THURSDAY, MARCH 9, 2017  
2:00 P.M.**

In compliance with the Americans with Disabilities Act of 1990, if you need special assistance to participate in an Authority meeting, or you need a copy of the agenda, or the agenda packet, in an appropriate alternative format, please contact the Secretary at (415) 332-0244. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the District staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting and service.

In conformance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and its distribution less than 72 hours prior to a regular meeting will be made available for public inspection at the District Office. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda.

*To get the full Marin Public Financing Authority Meeting Packet, please visit: [www.smcsd.net](http://www.smcsd.net) or [www.lgvsd.org](http://www.lgvsd.org)*

**I. MEETING ROLL CALL: WILLIAMS, MCGUIRE, KINGSTON, LEI**

**II. PUBLIC COMMENT**

(Members of the public are invited to address the Board concerning topics which are not listed on the Agenda. [If an item is agenzized, interested persons may address the Board during the Board's consideration of that item.] Speakers should understand that except in very limited situations, state law precludes the Board from taking action on or engaging in extended deliberations concerning items of business, which are not on the Agenda. Consequently, if further consideration is required, the Board may refer the matter to its staff or direct that the subject be agenzized for a future meeting. The Board reserves the right to limit the time devoted to this portion of the Agenda and to limit the duration of speakers' presentations.)

**III. CONSENT CALENDAR**

**MOTION:**

- A. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF JANUARY 24, 2017
- B. APPROVAL OF GENERAL COUNSEL LEGAL EXPENSE OF \$ 2,047.50.

(The Board will be asked to adopt Consent Calendar – Item A and B.)

**IV. NEW BUSINESS**

**MOTION:**

- A. RESOLUTION NO. 2017 – 3: RESOLUTION OF THE MARIN PUBLIC FINANCING AUTHORITY ADOPTING A DEBT POLICY

(The Board will be asked to adopt Resolution No. 2017 - 3)

**MOTION:**

- B. RESOLUTION NO. 2017 – 4: RESOLUTION OF THE MARIN PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS IN AN INITIAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$36,000,000 IN CONNECTION WITH FINANCING CERTAIN WASTEWATER SYSTEM IMPROVEMENTS, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION FOR THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER RELATED ACTIONS (The Board will be asked to adopt Resolution No. 2017 – 4)

**MOTION:**

- C. APPROVE SPECIAL LIABILITY INSURANCE PROGRAM FROM THE CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY FOR THE MARIN PUBLIC FINANCING AUTHORITY  
(The Board will be asked to approve the attached special liability insurance program from CSRMA on behalf of the Marin Public Financing Authority)

**V. BOARD OF DIRECTORS**

- A. Next Board Meeting Agenda Item Request - Verbal
- B. The next Board meeting is to be held on Thursday, March 23, 2017 at 2:00 p.m., Las Gallinas Valley Sanitary District, 300 Smith Ranch Road, San Rafael, California.

**VI. ADJOURNMENT**

**The Board of Directors may, at its discretion, consider agenda items out of the order in which they appear.**

**MINUTES OF THE REGULAR MEETING OF THE BOARD  
OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY**

January 24, 2017

The Regular Meeting of the Board of Directors of the Marin Public Financing Authority was held on Tuesday, January 24, 2017 at Las Gallinas Valley Sanitary District, 300 Smith Ranch Road, San Rafael, California 94903, and was called to order at 10:00 a.m. by President Williams.

**I. MEETING ROLL CALL:**

Directors Present:	Mark Williams, President Jeffrey Kingston, Vice President Susan McGuire, Treasurer Helen Lei, Secretary
Directors Absent:	None
General Counsel:	Dave Byers
Financial Advisor:	Tom Gaffney, Bartle Wells
Bond Counsel:	Sean Tierney, Hawkins Delafield & Wood LLP
Members of the Public:	None

**II. PUBLIC COMMENT:**

None

**III. CONSENT CALENDAR**

None

**IV. NEW BUSINESS**

A. ACKNOWLEDGE FORMATION OF THE JOINT POWERS AUTHORITY UNDER THE GOVERNMENT CODE AND DIRECT THE FILING OF THE REQUIRED STATEMENT PURSUANT TO GOVERNMENT CODE SECTION 6503.5 WITH THE SECRETARY OF STATE.

Bond Counsel Tierney will file the required statement on behalf of the Marin Public Financing Authority.

MOTION: DIRECTOR KINGSTON MOVED TO ACKNOWLEDGE FORMATION OF THE JOINT POWERS AUTHORITY UNDER THE GOVERNMENT CODE AND DIRECT THE BOND COUNSEL TO FILE THE REQUIRED STATEMENT PURSUANT TO GOVERNMENT CODE SECTION 6503.5 WITH THE SECRETARY OF STATE; DIRECTOR MCGUIRE SECONDED THE MOTION.

Ayes:	Williams, McGuire, Kingston, Lei
Nays:	None
Absent:	None
Abstain:	None

**B. RESOLUTION NO. 2017 – 1: RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY REGARDING ORGANIZATIONAL MATTERS**

Bond Counsel Tierney mentioned that future regular meetings shall be held on the same date as regular meetings of the Board of Directors of LGVSD at 2:00 p.m. If the Secretary does not post an agenda for a regular meeting, then such failure to post shall be deemed to be a determination by the President that no items required discussion and, therefore, the regular meeting should be cancelled. However, the bond issuance can only be approved at regular meetings according to state law.

MOTION: DIRECTOR MCGUIRE MOVED TO ADOPT RESOLUTION NO. 2017 – 1: RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY REGARDING ORGANIZATIONAL MATTERS; DIRECTOR KINGSTON SECONDED THE MOTION.

Ayes: Williams, McGuire, Kingston, Lei  
Nays: None  
Absent: None  
Abstain: None

**C. RESOLUTION NO. 2017 – 2: RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY ADOPTING A CONFLICT OF INTEREST CODE**

MOTION: DIRECTOR KINGSTON MOVED TO ADOPT RESOLUTION NO. 2017 – 2: RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY ADOPTING A CONFLICT OF INTEREST CODE; DIRECTOR MCGUIRE SECONDED THE MOTION.

Ayes: Williams, McGuire, Kingston, Lei  
Nays: None  
Absent: None  
Abstain: None

**D. APPROVE LIABILITY INSURANCE APPLICATION TO THE CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY FOR THE MARIN PUBLIC FINANCING AUTHORITY**

Director McGuire presented the application for General Liability, Directors and Officers Liability and Public Official's Errors & Omissions Liability insurance coverage from CSRMA on behalf of the Marin Public Financing Authority. She will provide information about the coverage limit and costs at the next Board meeting.

MOTION: DIRECTOR KINGSTON MOVED TO APPROVE LIABILITY INSURANCE APPLICATION TO THE CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY FOR THE MARIN PUBLIC FINANCING AUTHORITY; DIRECTOR MCGUIRE SECONDED THE MOTION.

Ayes: Williams, McGuire, Kingston, Lei  
Nays: None  
Absent: None  
Abstain: None

**V. BOARD OF DIRECTORS**

- A. Next Board Meeting Agenda Item Request –
1. McGuire requested to discuss the Liability Insurance after submitting the application;
  2. Kingston requested to approve the Sausalito-Marin City Sanitary District Revenue Bond documents;

- B. The next Board meeting:

The Board discussed the Revenue Bond Financing Schedule of both Districts.

MOTION: DIRECTOR KINGSTON MOVED TO POSTPONE THE NEXT REGULAR BOARD MEETING FROM THURSDAY, FEBRUARY 9, 2017 TO THURSDAY, MARCH 9, 2017 AT 2:00 P.M., LAS GALLINAS VALLEY SANITARY DISTRICT, 300 SMITH RANCH ROAD, SAN RAFAEL, CALIFORNIA; DIRECTOR LEI SECONDED THE MOTION.

Ayes: Williams, McGuire, Kingston, Lei  
Nays: None  
Absent: None  
Abstain: None

**VIII. ADJOURNMENT**

The President adjourned the meeting at 10:50 a.m.

RESPECTFULLY SUBMITTED,



Helen Lei, Secretary

APPROVED:

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Mark Williams, Board President

**RESOLUTION NO. 2017 – 3**

**RESOLUTION OF THE MARIN PUBLIC FINANCING AUTHORITY  
ADOPTING A DEBT POLICY**

**WHEREAS**, the Las Gallinas Valley Sanitary District (“LGVSD”) and Sausalito-Marin City Sanitary District (“SMCSD,” and together with LGVSD and any other party to the JPA Agreement defined below, the “Members”) have entered into a Joint Exercise of Powers Agreement, dated January 24, 2017 (the “JPA Agreement”), establishing the Marin Public Financing Authority (the “Authority”) for the purpose, among others, of issuing revenue bonds and other debt to finance the acquisition, construction and improvement of certain public capital improvements of the Members; and

**WHEREAS**, pursuant to Section 8855(i) of the Government Code of the State of California (“Section 8855(i)”), issuers of public debt must certify to the California Debt and Investment Advisory Commission (“CDIAC”) in a report of proposed debt issuance that they have adopted local debt policies concerning the use of debt and that the proposed issuance is consistent with those policies; and

**WHEREAS**, the Authority wishes to adopt local debt policies concerning the use of Authority debt; and

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY, AS FOLLOWS:

Section 1. Adoption of Debt Policy. The Board hereby adopts the following policies in connection with the use of Authority debt:

- (a) Purposes for which Debt Proceeds may be Used. Any debt to be issued by the Authority shall be for the purpose of assisting the financing and refinancing of public capital improvement projects of a Member.
- (b) Types of Debt that may be Issued. The Authority may issue revenue bonds, certificates of participation or lease-purchase agreements, or other evidence of indebtedness of the Authority authorized and issued pursuant to the Act.
- (c) Reliance on Member Certification. The Authority shall rely on a Member’s adopted policies that include (i) the relationship of the debt to, and integration with, the Member’s capital improvement program or budget, if applicable, (ii) the Member’s policy goals related to the Member’s planning goals and objectives, and (iii) the internal control procedures that the Member has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

Section 2. Annual CDIAC Reporting. The Authority shall rely on each Member to comply with the annual reporting requirements of CDIAC for any debt issued by the Authority for the benefit of such Member.

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Board of Directors of the Marin Public Financing Authority at a meeting thereof duly held on the 9th day of March 2017, by the following vote:

AYES, and in favor thereof, Directors:

NOES, Directors:

ABSENT, Directors:

ABSTAIN, Directors:

APPROVED:

ATTEST:

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President

Secretary



**RESOLUTION NO. 2017 - 4**

**RESOLUTION OF THE MARIN PUBLIC FINANCING AUTHORITY  
AUTHORIZING THE ISSUANCE OF REVENUE BONDS IN AN INITIAL  
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$ 36,000,000 IN  
CONNECTION WITH FINANCING CERTAIN WASTEWATER SYSTEM  
IMPROVEMENTS, AUTHORIZING AND DIRECTING EXECUTION OF AN  
INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT AND CERTAIN  
OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION FOR THE SALE OF  
BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER  
RELATED ACTIONS**

**WHEREAS**, the Las Gallinas Valley Sanitary District and Sausalito-Marin City Sanitary District (the “District”) have entered into a Joint Exercise of Powers Agreement establishing the Marin Public Financing Authority (the “Authority”) for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in the District; and

**WHEREAS**, for the purpose of raising funds necessary to finance certain improvements to the District’s wastewater system, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), to be designated as the Marin Public Financing Authority (Sausalito-Marin City Sanitary District) 2017 Revenue Bonds (the “Bonds”); and

**WHEREAS**, the proceeds of the Bonds will be used to finance certain public capital improvements to the District’s wastewater system; and

**WHEREAS**, pursuant to an Installment Sale Agreement by and between the District and the Authority (the “Installment Sale Agreement”), the District will make installment payments to the Authority as the purchase price for certain improvements to the District’s wastewater system, and the Authority will use the installment payments made by the District to the Authority pursuant to the Installment Sale Agreement to pay debt service on the Bonds; and

**WHEREAS**, the Authority desires to prepare and make available to potential investors an official statement relating to the Bonds containing information to be used in connection with the sale of Bonds; and

**WHEREAS**, the Board of Directors (the “Board”) of the Authority has duly considered these transactions and wishes at this time to approve these transactions and make certain findings regarding significant public benefits to the Authority’s members with respect to these transactions;

**NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE MARIN PUBLIC FINANCING AUTHORITY, AS FOLLOWS:**

Section 1. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits to its members within the contemplation of Section 6586 of the Act.

Section 2. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds pursuant to an Indenture of Trust (the “Indenture”) by and between the Authority and the Trustee (hereinafter defined). The Board hereby approves the Indenture in the form on file with the Secretary, together with such additions thereto and changes therein as the President, Vice President, Treasurer or Secretary (each, a “Designated Officer”) deems necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the performance by the Authority of its obligations under the Indenture.

Section 3. Maximum Bond Parameters. The Board hereby approves the issuance of the Bonds; provided that the principal amount of Bonds may not exceed \$36,000,000, the maximum true interest cost of the Bonds may not exceed 4.5% per annum, and the final maturity of the Bonds may not exceed 26 years after the date of issuance.

Section 4. Approval of Installment Sale Agreement. The Board hereby approves the form of the Installment Sale Agreement by and between the Authority and the District on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Installment Sale Agreement for and in the name of and on behalf of the Authority. The Authority hereby authorizes the performance by the Authority of its obligations under the Installment Sale Agreement.

Section 5. Sale of Bonds. The Authority hereby authorizes and directs the Executive Director of the Authority to sell the Bonds pursuant to a competitive sale, the terms of which shall be as described in a Notice of Sale, the form of which has been presented to this Board. The Authority hereby approves the form of the Notice of Sale on file with the Secretary, with such additions thereto and changes therein as Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change may increase the aggregate principal amount of Bonds or the maximum true interest cost of the Bonds in excess of the parameters set forth in Section 3 above. The Designated Officers, each acting alone or in combination, are hereby authorized and directed to finalize and cause the distribution of the Notice of Sale and to take all actions necessary to fulfill the Authority’s obligations thereunder. The Authority hereby authorizes the performance by the Authority of its obligations under the Notice of Sale. If upon the advice of the District’s financial advisor, Bartle Wells Associates, a Designated Officer determines that a competitive sale of the Bonds is not desirable under the circumstances, then the Authority authorizes and directs the Designated Officers to sell the Bonds pursuant to a negotiated sale and to enter into a bond purchase agreement; provided that the underwriter’s discount (exclusive of any original issue discount) may not exceed 1%.

Section 6. Official Statement. The Board hereby approves the form of Official Statement relating to the Bonds (the “Official Statement”) on file with the Secretary, together with such changes or additions thereto as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and authorizes the Designated Officers, each acting alone or in combination, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, except for omissions permitted therein. The Board hereby approves the distribution of the preliminary form of Official Statement by the underwriters to potential Bond investors. The Designated Officers, each acting alone or in combination, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement.

Section 7. Official Actions. The Designated Officers and any and all other officers of the Authority, each acting alone or in combination, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Board of Directors of the Marin Public Financing Authority at a meeting thereof duly held on the 9<sup>th</sup> day of March 2017, by the following vote:

AYES, and in favor thereof, Directors:

NOES, Directors:

ABSENT, Directors:

ABSTAIN, Directors:

APPROVED:

ATTEST:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

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**INDENTURE OF TRUST**

**Dated as of March 1, 2017**

**By and Between**

**MARIN PUBLIC FINANCING AUTHORITY**

**and**

**BANKERS TRUST COMPANY,  
as Trustee**

**Relating to**

**\$35,850,000  
Marin Public Financing Authority  
(Sausalito-Marin City Sanitary District)  
2017 Revenue Bonds**

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## TABLE OF CONTENTS

	<u>Page</u>
<b>ARTICLE I</b>	
<b>DEFINITIONS; RULES OF CONSTRUCTION</b>	
Section 1.01. Definitions.....	2
Section 1.02. Authorization .....	14
Section 1.03. Interpretation.....	14
<b>ARTICLE II</b>	
<b>THE BONDS</b>	
Section 2.01. Authorization of Bonds.....	14
Section 2.02. Terms of the Bonds.....	16
Section 2.03. Form and Execution of Bonds .....	17
Section 2.04. Transfer and Exchange of Bonds .....	17
Section 2.05. Book-Entry System.....	18
Section 2.06. Registration Books.....	20
Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen.....	20
<b>ARTICLE III</b>	
<b>ISSUANCE OF BONDS; APPLICATION OF PROCEEDS</b>	
Section 3.01. Issuance of the Bonds .....	21
Section 3.02. Application of Proceeds of Sale of the Bonds .....	21
Section 3.03. Establishment and Application of Costs of Issuance Fund.....	21
Section 3.04. Project Fund; Lateral Account .....	22
Section 3.05. Validity of Bonds.....	22
<b>ARTICLE IV</b>	
<b>REDEMPTION OF BONDS</b>	
Section 4.01. Terms of Redemption .....	22
Section 4.02. Selection of Bonds for Redemption .....	23
Section 4.03. Notice of Redemption.....	24
Section 4.04. Rescission of Redemption.....	24
Section 4.05. Execution of New Bonds Upon Partial Redemption of Bonds.....	25
Section 4.06. Effect of Redemption.....	25

**ARTICLE V**

**REVENUES; FUNDS AND ACCOUNTS;  
PAYMENT OF PRINCIPAL AND INTEREST**

Section 5.01. Security for the Bonds; Bond Fund .....25  
 Section 5.02. Allocation of Revenues.....26  
 Section 5.03. Application of Interest Account.....26  
 Section 5.04. Application of Principal Account .....27  
 Section 5.05. Application of Reserve Account.....27  
 Section 5.06. Application of Redemption Fund.....28  
 Section 5.07. Investments .....28  
 Section 5.08. Valuation and Disposition of Investments .....29

**ARTICLE VI**

**COVENANTS OF THE AUTHORITY**

Section 6.01. Punctual Payment.....30  
 Section 6.02. Extension of Payment of Bonds.....30  
 Section 6.03. Against Encumbrances.....30  
 Section 6.04. Power to Issue Bonds and Make Pledge and Assignment .....31  
 Section 6.05. Accounting Records.....31  
 Section 6.06. Limitation on Additional Obligations .....31  
 Section 6.07. Tax Covenants .....31  
 Section 6.08. Enforcement of Installment Sale Agreement.....32  
 Section 6.09. Waiver of Laws.....32  
 Section 6.10. Further Assurances.....32

**ARTICLE VII**

**EVENTS OF DEFAULT AND REMEDIES**

Section 7.01. Events of Default .....33  
 Section 7.02. Acceleration; Other Remedies .....33  
 Section 7.03. Application of Revenues and Other Funds After Default.....34  
 Section 7.04. Trustee to Represent Bond Owners .....34  
 Section 7.05. Limitation on Bond Owners’ Right to Sue .....35  
 Section 7.06. Absolute Obligation of Authority .....35  
 Section 7.07. Termination of Proceedings.....36  
 Section 7.08. Remedies Not Exclusive.....36  
 Section 7.09. No Waiver of Default.....36

**ARTICLE VIII**

**THE TRUSTEE**

Section 8.01. Appointment of Trustee .....36  
 Section 8.02. Acceptance of Trusts; Removal and Resignation of Trustee.....36  
 Section 8.03. Merger or Consolidation .....38  
 Section 8.04. Liability of Trustee .....38  
 Section 8.05. Right to Rely on Documents.....41  
 Section 8.06. Preservation and Inspection of Documents.....41  
 Section 8.07. Compensation and Indemnification .....41

**ARTICLE IX**

**MODIFICATION OR AMENDMENT HEREOF**

Section 9.01. Amendments Permitted.....42  
 Section 9.02. Effect of Supplemental Indenture .....44  
 Section 9.03. Endorsement of Bonds; Preparation of New Bonds .....44  
 Section 9.04. Amendment of Particular Bonds.....44

**ARTICLE X**

**DEFEASANCE**

Section 10.01. Discharge of Indenture.....44  
 Section 10.02. Discharge of Liability on Bonds .....45  
 Section 10.03. Deposit of Money or Securities with Trustee .....45  
 Section 10.04. Unclaimed Funds .....46

**ARTICLE XI**

**MISCELLANEOUS**

Section 11.01. Liability of Authority Limited to Revenues.....46  
 Section 11.02. Limitation of Rights to Parties and Bond Owners .....47  
 Section 11.03. Funds and Accounts .....47  
 Section 11.04. Waiver of Notice; Requirement of Mailed Notice.....47  
 Section 11.05. Destruction of Bonds .....47  
 Section 11.06. Severability of Invalid Provisions.....47  
 Section 11.07. Notices .....48  
 Section 11.08. Evidence of Rights of Bond Owners .....48  
 Section 11.09. Disqualified Bonds.....49  
 Section 11.10. Money Held for Particular Bonds .....49  
 Section 11.11. Waiver of Personal Liability.....49  
 Section 11.12. Successor Is Deemed Included in All References to Predecessor .....49

(i)

TABLE OF CONTENTS  
(continued)

	<u>Page</u>
Section 11.13. Execution in Several Counterparts.....	49
Section 11.14. Payment on Non-Business Day .....	50
Section 11.15. Governing Law .....	50
Section 11.16. [Provisions Relating to Insurer .....	50



## INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of March 1, 2017, is by and between the MARIN PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and \_\_\_\_\_, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in \_\_\_\_\_, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### WHEREAS CLAUSES:

1. Sausalito-Marín City Sanitary District (the “District”) presently operates facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”).
2. The Authority has been formed for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in and for the benefit of the District.
3. The Authority and the District desire to raise funds necessary to finance certain improvements to the Wastewater Enterprise.
4. In order to obtain funds for this purpose, the Authority has authorized the issuance of its Marin Public Financing Authority (Sausalito-Marín City Sanitary District) 2017 Revenue Bonds (the “Bonds”), in the aggregate principal amount of \$\_\_\_\_\_, under this Indenture and under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”).
5. The Bonds will be payable from Installment Payments made under an Installment Sale Agreement dated as of March 1, 2017 (the “Installment Sale Agreement”) by and between the Authority, as seller, and the District, as purchaser.
6. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.
7. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

AGREEMENT:

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of [the Insurer and] the respective Owners from time to time of the Bonds, as follows:

**ARTICLE I**

**DEFINITIONS; RULES OF CONSTRUCTION**

**Section 1.01. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms set forth in this Indenture shall have the meanings assigned to them in this Section 1.01.

“Additional Payments” means the amounts payable by the District under Section 4.7 of the Installment Sale Agreement.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater Enterprise which has been adopted prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the District.

“Annual Debt Service” means, as of the date of any calculation and with respect to the Installment Payments or any Parity Obligations, as the case may be, the sum obtained for the current or any future Bond Year during the Term of the Installment Sale Agreement by totaling the following amounts for such Bond Year:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year pursuant hereto, except to the extent payable from any security deposit pursuant to Section 7.1 of the Installment Sale Agreement; and
- (b) the principal amount of all outstanding Parity Obligations, if any, coming due and payable by their terms in such Bond Year.

“Authority” means the Marin Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California and that certain Joint Exercise of Powers Agreement, dated as of \_\_\_\_\_, 2017, by and between the District and the Las Gallinas Valley Sanitary District, together with any amendments thereof and supplements thereto.

“Authorized Representative” means:

- (a) with respect to the Authority, its President, Vice President, Treasurer, Secretary, any other member of the Board, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority filed with the District and the Trustee; and
- (b) with respect to the District, its President of the Board, Secretary of the Board, any other member of the Board, the General Manager of the District, or any other person designated as an Authorized Representative of the District by a Written Certificate of the District filed with the Authority and the Trustee.

“Bond Counsel” means (a) Hawkins Delafield & Wood LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations-the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 41 of the Government Code of the State of California, commencing with Section 6584, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means the Marin Public Financing Authority (Sausalito-Marin City Sanitary District) 2017 Revenue Bonds, in the original principal amount of \$\_\_\_\_\_.

“Bond Year” means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year

with respect to the Bonds commences on the Closing Date and extends to and including April 1, 2018.

“Business Day” means any day (i) other than a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the Office of the Trustee is located are authorized or required by law to close.

“Closing Date” means \_\_\_\_\_, 2017, the date of delivery of the Bonds to the Original Purchaser.

“CNB Loan” means the District’s loan from City National Bank in the amount of \$2,080,666, which CNB Loan financed certain capital improvements to the Wastewater Enterprise.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, and the Trustee’s counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; bond insurance and surety bond premiums, if any; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Defeasance Obligations” means[, subject to Section 11.16 hereof,] the following:

- (a) Cash;
- (b) Federal Securities;
- (c) evidences of ownership of proportionate interests in future interest and principal payments on Federal Securities held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Federal Securities are not available to any person claiming through the custodian or to whom the custodian may be obligated;
- (d) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively; or
- (e) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.05.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“Existing Parity Obligations” means the CNB Loan and the SRF Loan.

“Federal Securities” means: (a) any non-callable direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of wastewater system enterprises; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District other than as purchaser of the Bonds or any Parity Obligations; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Fitch” means Fitch Ratings and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the District.

“Governmental Agency” means the State of California, and the United States of America, acting through any of its agencies, to the extent that the State of California or such agency has loaned money to the District for the Wastewater Enterprise.

“Governmental Loan” means any loan made by a Governmental Agency to the District that is secured by a pledge of Net Revenues and incurred by the District to finance improvements to the Wastewater Enterprise pursuant to Section 5.9 of the Installment Sale Agreement.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Wastewater Enterprise or otherwise arising from the Wastewater Enterprise, including but not limited to:

- (a) all amounts levied by the District as a fee for connecting to the Wastewater Enterprise, as such fee is established for time to time under the applicable laws of the State of California,
- (b) all income, rents, rates, fees, capital improvement fees, charges and other moneys derived from the services and facilities furnished or supplied through the facilities of the Wastewater Enterprise,
- (c) ad valorem property taxes allocated to the District (but as provided below, not including ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise),
- (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater Enterprise,
- (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater Enterprise as permitted hereunder, and
- (f) amounts transferred into the Wastewater Enterprise Fund from a Rate Stabilization Fund.

However, the term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise, (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District, and (iv) amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund during a fiscal year, but only to the extent that any amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund were included in Gross Revenues for that fiscal year.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding that Interest Payment Date.

“Installment Payments” means all payments required to be paid by the District on any date under Section 4.4 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 of the Installment Sale Agreement, but does not include Additional Payments.

“Installment Sale Agreement” means the Installment Sale Agreement dated as of March 1, 2017, between the District and the Authority, together with any duly authorized and executed amendments thereto.

[“Insurance Policy” means the insurance policy issued by the Insurer with respect to the Bonds guaranteeing the scheduled payment of principal of and interest on the Bonds when due.]

[“Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof.]

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Dates” means each April 1 and October 1, commencing October 1, 2017, so long as any Bonds remain unpaid.

“Maximum Annual Debt Service” means, as of the date of any calculation and with respect to the Installment Payments or any Parity Obligations, as the case may be, the maximum sum obtained for the current or any future Bond Year during the Term of the Installment Sale Agreement by totaling the following amounts for such Bond Year:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year pursuant hereto, except to the extent payable from any security deposit pursuant to Section 7.1 of the Installment Sale Agreement;
- (b) the principal amount of all outstanding Parity Obligations, if any, coming due and payable by their terms in such Bond Year;
- (c) the amount of interest which would be due during such Bond Year on the aggregate principal amount of all outstanding Parity Obligations, if any, which would be outstanding in such Bond Year if such Parity Obligations are retired as scheduled; and
- (d) loan payments to be made to a Governmental Agency under a Governmental Loan, if any, coming due and payable by its terms in such Bond Year.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the District.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a).

“Office” means the corporate trust office of the Trustee in \_\_\_\_\_, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Wastewater Enterprise, including but not limited to

- (a) costs of utilities, including the costs of electricity and other forms of energy supplied to the Wastewater Enterprise,
- (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and
- (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater Enterprise;

but in all cases excluding

- (i) debt service payable on obligations incurred by the District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments and any Parity Obligations,
- (ii) depreciation, replacement and obsolescence charges or reserves therefor,
- (iii) capital expenditures (other than as set forth in paragraph (b) above), and
- (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means \_\_\_\_\_, the original purchaser of the Bonds at the competitive sale thereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means, subject to the last paragraph of Section 10.02 of this Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except:



(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority has been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee under this Indenture.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Owner,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means the following:

(a) the District’s obligation to pay debt service on the Existing Parity Obligations,

(b) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with Section 5.8 of the Installment Sale Agreement, and

(c) any Governmental Loan that is treated as a Parity Obligation under Section 5.9 of the Installment Sale Agreement.

“Parity Obligations Documents” means, collectively, the indenture of trust, trust agreement, installment sale agreement, or other document authorizing the issuance of any Parity Obligations or any securities which evidence Parity Obligations.

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;

(c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, demand deposits, including interest bearing money market accounts, trust deposits, trust accounts, time deposits, overnight bank deposits, interest-bearing deposits, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;

(f) investments in a money market mutual fund rated, at the time of purchase, AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services for a fee, including serving as administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(g) Repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates;

(h) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) investment agreements, with notice to each rating agency then rating the Bonds;

(j) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, provided, however, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture; and

(k) any other investment permitted under Section 53601 of the California Government Code.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Project Costs” means, with respect to the Wastewater Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Wastewater Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Wastewater Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Wastewater Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Wastewater Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Wastewater Project;

(f) all financing costs incurred in connection with the acquisition, construction and installation of the Wastewater Project; and

(g) the interest components of the Installment Payments allocable to the Wastewater Project that come due during the period of acquisition, construction and installation of the Wastewater Project.

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, financial guaranty insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.05(b), provided that all the following requirements are met:

(a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least “A” from S&P or “A” from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least “A” from S&P, or “A” from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company;

(b) such letter of credit, financial guaranty insurance policy or surety bond has a term of at least 12 months;

(c) such letter of credit, financial guaranty insurance policy or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 5.05(b); and

(d) the Trustee is authorized pursuant to the terms of such letter of credit, financial guaranty insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 5.03 or 5.04.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Registration Books” means the records maintained by the Trustee under Section 2.06 for the registration and transfer of ownership of the Bonds.

“Reserve Account” means the account by that name established and held by the Trustee in the Bond Fund established under Section 5.02.

[“Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer for deposit into the Reserve Account.]

“Reserve Requirement” means, subject to the second paragraph of Section 5.05(b), as of the date of calculation by the Authority or District, the least of

(i) Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations),

(ii) 10% of the total of the proceeds of the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations), and

(iii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Government Loans and Parity Obligations).

“Revenues” means:

(a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source, but excluding any Additional Payments), prepayments, insurance proceeds, condemnation proceeds, and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture.

“S&P” means Standard & Poor’s, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the District.

“Securities Depositories” means The Depository Trust Company: and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“SRF Loan” means the District’s loan dated August 15, 2011 from the State of California (State Water Resources Control Board) currently outstanding in the principal amount of \$1,914,673.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Tax Code.

“Term” means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on April 1, 20\_\_.

“Trustee” means \_\_\_\_\_, a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“Wastewater Enterprise” means the wastewater system of the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection and conveyance of wastewater from residents served thereby, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District.

“Wastewater Enterprise Fund” means the fund or funds established and held by the District with respect to the Wastewater Enterprise for the receipt and deposit of Gross Revenues.

“Wastewater Project” means the facilities, improvements and other property described more fully in Appendix B attached to the Installment Sale Agreement, as that Appendix may be amended from time to time in accordance with the Installment Sale Agreement.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02. Authorization.** Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

**Section 1.03. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “thereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

**ARTICLE II**

**THE BONDS**

**Section 2.01. Authorization of Bonds.** The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and

in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$ \_\_\_\_\_ under the Bond Law for the purposes of providing funds to enable the District to acquire and construct the Wastewater Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the “Marin Public Financing Authority (Sausalito-Marin City Sanitary District) 2017 Revenue Bonds.”

**Section 2.02. Terms of the Bonds.**

Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall mature on April 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
[2042]		

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(T) Term Bond.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or



(c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check upon presentation and surrender thereof at the Office of the Trustee.

**Section 2.03. Form and Execution of Bonds.** The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

An Authorized Representative of the Authority shall execute, and the Secretary of the Authority shall attest, each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix A, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.04. Transfer and Exchange of Bonds.**

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

#### **Section 2.05. Book-Entry System.**

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, neither the Authority nor the Trustee has any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and

premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever.

The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid.

No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture.

Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes: and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners.

Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued.

The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c).

If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in

whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will authenticate, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

**Section 2.06. Registration Books.** The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

**Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith.

Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time

enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

### ARTICLE III

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

**Section 3.01. Issuance of the Bonds.** At any time after the execution of this Indenture, the Authority may execute and the Trustee shall, upon the Written Request of the Authority, authenticate and deliver the Bonds to the Original Purchaser.

**Section 3.02. Application of Proceeds of Sale of the Bonds.** Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall receive the net proceeds of sale thereof, being \$\_\_\_\_\_ (which amount includes \$\_\_\_\_\_ received by the Trustee from \_\_\_\_\_, the purchaser of the Bonds, as a good faith deposit), calculated as follows:

- \$\_\_\_\_\_ (constituting the par amount of the Bonds),
- plus a net original issue premium in the amount of \$\_\_\_\_\_,
- less an underwriter's discount in the amount of \$\_\_\_\_\_,

which the Trustee shall apply as follows:

- (a) The Trustee shall deposit \$\_\_\_\_\_ into the Costs of Issuance Fund.
- (b) The Trustee shall deposit \$\_\_\_\_\_ into the Project Fund.
- (c) [The Trustee shall wire the amount of \$\_\_\_\_\_ to the Insurer in payment of the Insurance Policy premium.]
- (d) [The Trustee shall wire the amount of \$\_\_\_\_\_ to the Insurer in payment of the Reserve Policy premium.]

The Trustee may establish and maintain a temporary account or fund to facilitate and record such deposits and transfers.

**Section 3.03. Establishment and Application of Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating

the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on the representations and certifications set forth in such Written Requisitions and shall be fully protected in relying thereon.

On \_\_\_\_\_ 1, 2017, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account, and shall thereupon close the Costs of Issuance Fund.

**Section 3.04. Project Fund.** The Trustee shall establish and maintain a separate fund to be known as the “Project Fund” into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds pursuant to Section 3.02(b). Except as otherwise provided herein, moneys in the Project Fund will be used solely for the payment of the Project Costs. The Trustee shall disburse amounts in the Project Fund from time to time to pay Project Costs upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund or account. The Trustee may conclusively rely on the representations and certifications set forth in such Written Requisitions and shall be fully protected in relying thereon.

Upon the completion of the Wastewater Project, as evidenced by the filing by the District with the Trustee of a Written Certificate under Section 3.5 of the Installment Sale Agreement stating that the Wastewater Project has been completed, the Trustee shall deposit in the Interest Account all amounts remaining on deposit in the Project Fund, and the Trustee shall thereupon close the Project Fund.

**Section 3.05. Validity of Bonds.** The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

#### **Section 4.01. Terms of Redemption.**

(a) Optional Redemption from any Source of Available Funds. The Bonds maturing on or before April 1, 2027 are not subject to optional redemption prior to their respective stated maturity dates.

The Bonds maturing on or after April 1, 2028, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 2027, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Authority must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are also subject to redemption, by lot, on April 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to Section 5.02(b), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased pursuant to the succeeding paragraph of this subsection (b), in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future payments pursuant to this subsection (b) with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Term Bond Maturing April 1, 20\_\_

Sinking Fund Redemption Date (April 1)	Principal Amount To Be <u>Redeemed</u>
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In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account pursuant to Section 5.02 during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any 12-month period ending on April 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding April 1.

**Section 4.02. Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity of the same issue, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

**Section 4.03. Notice of Redemption.** The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and the Securities Depositories. The Trustee shall electronically file a copy of each notice of redemption with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission, or any other such services the Authority may designate in writing to the Trustee.

Each notice of redemption shall state:

- (i) the date of the notice,
- (ii) the redemption date,
- (iii) the place or places of redemption,
- (iv) whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed,
- (v) the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and
- (vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Each notice relating to a redemption pursuant to Section 4.01(a) may be conditional, and shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

**Section 4.04. Rescission of Redemption.** The Authority shall have the right to rescind any redemption pursuant to Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder.



The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

**Section 4.05. Execution of New Bonds Upon Partial Redemption of Bonds.** Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

**Section 4.06. Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Security for the Bonds; Bond Fund.

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture.

This pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights under Sections 4.7, 5.2 and 6.4 thereof and the Authority's rights to give approvals and consents thereunder), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments, and the Trustee hereby accepts such assignment.

The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

The Trustee is also entitled to, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Installment Sale Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such fund.

All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, (ii) any applicable fees and expenses of the Trustee, and [(iii) any amounts due to the Insurer,] shall be withdrawn by the Trustee and remitted to the District.

**Section 5.02. Allocation of Revenues.** On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit into the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee shall deposit into the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on each April 1, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such April 1 under Section 4.01(b).

(c) Deposit to Reserve Account. The Trustee shall deposit into the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement, [including without limitation amounts required to reimburse the Insurer for any amounts drawn under the Reserve Policy].

**Section 5.03. Application of Interest Account.** All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds

as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

**Section 5.04. Application of Principal Account.** All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds on their respective maturity dates, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such April 1 under Section 4.01(b).

**Section 5.05. Application of Reserve Account.**

(a) Application of Reserve Account. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds, including the principal amount of any Term Bonds subject to mandatory sinking fund redemption under Section 4.01(b), when due and payable to the extent that moneys deposited in the Interest Account or Principal Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds.

If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee shall apply such amounts first, to the payment of interest and second, to the payment of principal. On the date on which all Bonds are retired hereunder or provision is made therefor under Article X. after payment of any amounts then owed to the Trustee [and the Insurer], all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the District as a refund of overpaid Installment Payments.

If, on any date, moneys on deposit in the Reserve Account, together with amounts then on deposit in the Bond Fund, are sufficient to pay all Outstanding Bonds, including all principal thereof, and interest thereon, the Trustee shall, at the Written Request of the Authority, transfer all amounts then on deposit in the Reserve Account, together with such amounts in the Bond Fund, to the Redemption Fund to be applied to the redemption of the Bonds in accordance with the provisions of Section 4.01(a). The Trustee shall be entitled to conclusively rely on any such Written Request and shall be fully protected in relying thereon. On each April 1, the Trustee shall transfer any amounts on deposit in the Reserve Account in excess of the Reserve Requirement, including amounts derived from the investment of moneys in the Reserve Account, to the Bond Fund.

(b) Qualified Reserve Account Credit Instrument. [The Authority shall deposit the Reserve Policy in the Reserve Account on the Closing Date in satisfaction of the Reserve Requirement for the Bonds. Section 11.16 provides for provisions governing the Reserve Policy.]

The Authority shall have the right at any time to release any cash (including Permitted Investments) on deposit from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds to become includable in gross income for purposes of federal income taxation, and [(3) the receipt of the prior written consent of

the Insurer]. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to or upon the direction of the Authority.

Prior to the expiration of any Qualified Reserve Account Credit Instrument, the Authority shall be obligated either (a) to replace such Qualified Reserve Account Credit instrument with a new Qualified Reserve Account Credit Instrument, or (b) to deposit or cause to be deposited with the Trustee an amount of funds such that the funds on deposit in the Reserve Account, together with all Qualified Reserve Account Credit Instruments held by the Trustee, is at least equal to the Reserve Requirement.

**Section 5.06. Application of Redemption Fund.** The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received representing optional prepayments of the Installment Payments, in accordance with a Written Request of the Authority.

Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Sections 4.01(a) or (b); *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and shall be fully protected in relying thereon.

**Section 5.07. Investments.** All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold any such moneys uninvested.

Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, provided, however, that earnings on the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement, and otherwise shall be transferred to the Bond Fund in accordance with Section 5.05(a).

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The

Trustee may rely conclusively on the written investment direction of the Authority as to the suitability and legality of the directed investments.

The Trustee shall incur no liability for losses arising from any investments made under this Section 5.07.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The moneys on deposit in the funds and accounts established under this Indenture shall not be deemed “surplus” under Section 53601 of the Government Code.

**Section 5.08. Valuation and Disposition of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code): provided that the Authority shall inform the Trustee which funds (other than the Reserve Account) are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before April 1. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.08, the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security – State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon generally recognized or computerized securities pricing services that may be available to it, including those available through its regular accounting system.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

**Section 6.01. Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

**Section 6.02. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

**Section 6.03. Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture.

The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

**Section 6.05. Accounting Records.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the District during business hours, upon reasonable notice, and under reasonable circumstances

**Section 6.06. Limitation on Additional Obligations.** The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part

**Section 6.07. Tax Covenants.**

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner that would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds

to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code.

The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Authority.

The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

The Trustee may rely conclusively upon the Authority's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations hereunder.

**Section 6.08. Enforcement of Installment Sale Agreement.** The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the District under the Installment Sale Agreement.

Subject to the provisions of Article VIII, the Trustee may enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District under the Installment Sale Agreement.

**Section 6.09. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 6.10. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

*[The provisions of this Article VII shall be subject to Section 11.16 hereof.]*



**Section 7.01. Events of Default.** The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, not to exceed 180 days of the date of the written notice of such failure.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

**Section 7.02. Acceleration; Other Remedies.** If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds maturing prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) are made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate is made therefor, then, and in every such case, the Trustee, on behalf of the Owners of all of the Bonds, shall rescind and annul such declaration and its consequences: but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; provided, however, that no such rescission and annulment shall extend to or

shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

In addition to declaring the principal of all of the Bonds, and the interest accrued thereon, to be immediately due and payable as set forth above, the Trustee shall have the right to pursue any other remedy provided by law or in equity or otherwise after an Event of Default has occurred.

**Section 7.03. Application of Revenues and Other Funds After Default.** If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture; and

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available is not sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

**Section 7.04. Trustee to Represent Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions

of this Indenture. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Section 7.05. Limitation on Bond Owners' Right to Sue.** Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless

- (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name;
- (c) such Owner or Owners have tendered to the Trustee satisfactory indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

**Section 7.06. Absolute Obligation of Authority.** Nothing in this Indenture or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.07. Termination of Proceedings.** In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

**Section 7.08. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.09. No Waiver of Default.** No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Appointment of Trustee.** The \_\_\_\_\_ is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII [and subject to the provisions of Section 11.16(d)], so long as any Bonds are Outstanding.

**Section 8.02. Acceptance of Trusts; Removal and Resignation of Trustee.** The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. After the occurrence and during the continuance of an Event of Default, the Trustee shall use the same degree of care and skill that a prudent person would use or exercise in the circumstances in the conduct of such prudent person's own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds

then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the District, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the Authority, upon its own direction or the direction of the retiring Trustee may, or the retiring Trustee may, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, than for the

purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

**Section 8.03. Merger or Consolidation.** Any bank, national banking association, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 8.04. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it hereunder.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would

constitute an Event of Default hereunder unless and until a corporate trust officer receives written notice thereof at its Office from the District, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the District of any of the terms, conditions, covenants or agreements herein, under the Installment Sale Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the District or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the District to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the District is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless the such Owners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty. to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the District of the Wastewater Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the

Installment Sale Agreement or this Indenture for the existence, furnishing or use of the Wastewater Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to. Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security



procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

**Section 8.05. Right to Rely on Documents.** The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds, requisition, facsimile transmission, electronic mail or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the District, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

**Section 8.06. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the District, and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

**Section 8.07. Compensation and Indemnification.** The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, claim, damage, fine, penalty, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Installment Sale Agreement. As security for the performance of the obligations of the Authority under this Section 8.07, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Installment Sale Agreement. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

## ARTICLE IX

### MODIFICATION OR AMENDMENT HEREOF

#### **Section 9.01. Amendments Permitted.**

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of [the Insurer and] the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee.

No such modification or amendment may:

(i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or

(ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. [Subject to Section 11.16,] the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to modify any of the provisions of this Indenture in any other respect, including the substitution of a Qualified Reserve Account Credit Instrument as set forth in Section 5.05, provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds, in the opinion of Bond Counsel filed with the Trustee.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

**Section 9.02. Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 9.03. Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds.

If the Supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

**Section 9.04. Amendment of Particular Bonds.** The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Indenture.** Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable,
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds, or
- (c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority pays all outstanding Bonds as provided above and also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of

the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds have not been surrendered for payment, this indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02.

In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

**Section 10.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee is made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 10.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee has been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, (ii) the Authority has delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above), [and (iii) the applicable provisions of Section 11.16 have been complied with].

The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

**Section 10.04. Unclaimed Funds.** Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Liability of Authority Limited to Revenues.** Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys

derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

**Section 11.02. Limitation of Rights to Parties and Bond Owners.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

**Section 11.03. Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

**Section 11.04. Waiver of Notice; Requirement of Mailed Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05. Destruction of Bonds.** Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

**Section 11.06. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the

Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 11.07. Notices.** All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt; provided, however, that notice to the Trustee shall be deemed given only upon receipt by it. The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District  
or the Authority:

If to the Trustee

[Section 11.16 hereof includes provisions to send notices to the Insurer.]

**Section 11.08. Evidence of Rights of Bond Owners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor



or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Section 11.09. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination unless all the Bonds are so owned or held, in which case all such Bonds shall be deemed Outstanding. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority and the District shall specify to the Trustee those Bonds disqualified under this Section 11.09.

**Section 11.10. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 but without any liability for interest thereon.

**Section 11.11. Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture,

**Section 11.12. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Indenture either the Authority, the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.13. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 11.14. Payment on Non-Business Day.** In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

**Section 11.15. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State of California.

**Section 11.16. [Provisions Relating to Insurer.**

(a) Provisions Govern. The provisions of this Section shall govern, notwithstanding anything to the contrary set forth in the Indenture and the Installment Sale Agreement (the Indenture and the Installment Sale Agreement are collectively referred to in this Section as the “Security Documents”). Under the Installment Sale Agreement, the District has agreed to the provisions in this Section.

(b) Notice and Other Information to be given to Insurer. The District will provide Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of Bonds or the Trustee under the Security Documents.

The notice address of Insurer is: \_\_\_\_\_ In each case in which notice or other communication refers to an event of default or a claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to \_\_\_\_\_.

(c) Defeasance. The investments in the defeasance escrow relating to Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by Insurer.

At least (three) 3 Business Days prior to any defeasance with respect to the Bonds, the District shall deliver to Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Bonds, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to Insurer and shall be in form and substance satisfactory to Insurer. In addition, the escrow agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of Insurer, which consent will not be unreasonably withheld.

(ii) Neither the Authority nor the District will exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in any official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) Neither the Authority nor the District shall amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Insurer.

(d) Trustee.

(i) Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by Insurer in writing.

(ii) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to Insurer, shall be qualified and appointed.

(e) Amendments, Supplements and Consents. Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The District shall send copies of any such amendments or supplements to Insurer and the rating agencies which have assigned a rating to the Bonds.

(i) *Consent of Insurer.* Any amendments or supplements to the Security Documents shall require the prior written consent of Insurer with the exception of amendments or supplements:

(A) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(B) To grant or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Bonds, or

(C) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

(D) To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by

the District or to surrender any right or power therein reserved to or conferred upon the District.

(ii) *Consent of Insurer in Addition to Bondholder Consent.* Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Bonds or adversely affects the rights or interests of Insurer shall be subject to the prior written consent of Insurer.

(iii) *Consent of Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the District or Authority must be acceptable to Insurer. In the event of any reorganization or liquidation of the District or Authority, Insurer shall have the right to vote on behalf of all holders of the Bonds absent a continuing failure by Insurer to make a payment under the Insurance Policy.

(iv) *Consent of Insurer Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under any Security Document. No default or event of default may be waived without Insurer's written consent.

(v) *Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(vi) *Consent of Insurer for acceleration.* Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(vii) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of Insurer.

(viii) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs e(i)-(vi) above to the contrary, (1) if at any time prior to or following an Insurer Default, Insurer has made payment under the Insurance Policy, to the extent of such payment Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if Insurer has not made any payment under the Insurance Policy, Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition,

(iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of Insurer (including without limitation under the New York Insurance Law).

(f) Installment Sale Agreement.

(i) The Installment Sale Agreement is pledged and assigned to the Trustee for the benefit of the holders of the Bonds pursuant to Section 5.01(b) herein.

(ii) Any payments by the Obligor under the Installment Sale Agreement that will be applied to the payment of debt service on the Bonds shall be made directly to the Trustee at least five (5) business days prior to each debt service payment date for the Bonds.

(g) Insurer As Third Party Beneficiary. Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(h) Payment Procedure Under the Insurance Policy. In the event that principal and/or interest due on the Bonds shall be paid by Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District and Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District and Authority to the registered owners shall continue to exist and shall run to the benefit of Insurer, and Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

In the event that on the second (2<sup>nd</sup>) business day prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such payment date, the Trustee shall immediately notify Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Insurance Policy payment from Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to Insurer of the Bonds surrendered to Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Insurance Policy payment therefore from Insurer, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Bonds paid by Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to Insurer, registered in the name directed by Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation or assignment rights of Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority and District with respect to such Bonds, and Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Authority, District and the Trustee agree for the benefit of Insurer that:

(i) They recognize that to the extent Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Bonds, Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Bonds; and

(ii) They will accordingly pay to Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but

only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat Insurer as the owner of such rights to the amount of such principal and interest.

(i) Additional Payments. The District agrees unconditionally that it will pay or reimburse Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that Insurer may pay or incur, including, but not limited to, fees and expenses of Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to Insurer until the date Insurer is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to Insurer (i) a sum equal to the total of all amounts paid by Insurer under the Insurance Policy ("Insurer Policy Payment"); and (ii) interest on such Insurer Policy Payments from the date paid by Insurer until payment thereof in full by the District, payable to Insurer at the Late Payment Rate per annum (collectively, "Insurer Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Installment Payments on a parity with debt service due on the Installment Payments.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(j) Reserve Account and Project Fund.

(i) The prior written consent of Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account, if any. Amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

(ii) Unless Insurer otherwise directs, upon the occurrence and continuance of an Event of Default, amounts on deposit in the Project Fund shall not be disbursed, but if

such Event of Default cannot be cured within a reasonable period shall instead be applied to the payment of debt service or redemption price of the Bonds.

(k) Exercise of Rights by Insurer. The rights granted to Insurer under the Security Documents to request, consent to or direct any action are rights granted to Insurer in consideration of its issuance of the Insurance Policy. Any exercise by Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of Insurer.

(l) Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not Insurer has received a claim upon the Insurance Policy.

(m) Reserve Policy Provisions.

(i) The District shall repay any draws under the Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") and pay all related reasonable expenses incurred by Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.



All cash and investments in the Reserve Account established for the Bonds shall be transferred to the Interest Account and Principal Account for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Qualified Reserve Account Credit Instrument in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Qualified Reserve Account Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(ii) Draws under the Reserve Policy may only be used to make payments on Bonds insured by the Insurer.

(iii) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (i) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Security Documents other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect owners of the Bonds.

(iv) The Security Documents shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The District’s obligation to pay such amount shall expressly survive payment in full of the Bonds.

(v) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (m)(i) hereof and provide notice to the Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

(vi) The Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.]

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and \_\_\_\_\_, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**MARIN PUBLIC FINANCING AUTHORITY**

By \_\_\_\_\_  
Name:  
Title:

ATTEST:

By \_\_\_\_\_  
Secretary

\_\_\_\_\_, as **Trustee**

By \_\_\_\_\_  
Authorized Officer

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and \_\_\_\_\_, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**MARIN PUBLIC FINANCING AUTHORITY**

By \_\_\_\_\_  
Name:  
Title:

ATTEST:

By \_\_\_\_\_  
Secretary

\_\_\_\_\_, as Trustee

By \_\_\_\_\_  
Authorized Officer

Acknowledged and agreed:

**SAUSALITO-MARIN CITY SANITARY DISTRICT,**

By \_\_\_\_\_

**APPENDIX A**  
**BOND FORM**

NO. R- \_\_\_\_\_

\*\*\*\$ \_\_\_\_\_ \*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**MARIN PUBLIC FINANCING AUTHORITY**  
**(SAUSALITO-MARIN CITY SANITARY DISTRICT)**  
**2017 REVENUE BONDS**

INTEREST RATE:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
_____ %	April 1, _____	_____, 2017	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\* \_\_\_\_\_ \*\*\*

The MARIN PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before September 15, 2017, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2017 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the designated corporate trust office of \_\_\_\_\_ (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate

principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Marin Public Financing Authority (Sausalito-Marin City Sanitary District) 2017 Revenue Bonds (the “Bonds”), in an aggregate principal amount of \$30,155,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Articles 4 of Chapter 5, Division 7, Title 1 of the California Government Code, commencing with Section 6584 of said Code, and under an Indenture of Trust dated as of March 1, 2017 (the “Indenture”), between the Authority and the Trustee, and a resolution of the Authority adopted on March \_\_\_\_, 2017, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance certain improvements to the District’s facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”). This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of installment payments made by the District under an Installment Sale Agreement dated as of March 1, 2017, between the Authority and the District (the “Installment Sale Agreement”). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds are subject to redemption prior to maturity as provided under the Indenture. As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 30 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Indenture or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Marin Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

MARIN PUBLIC FINANCING AUTHORITY

By \_\_\_\_\_  
Vice President

Attest:

\_\_\_\_\_  
Secretary



**CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

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

\_\_\_\_\_, as Trustee

By \_\_\_\_\_  
Authorized Signatory

**[STATEMENT OF INSURANCE]**

**ASSIGNMENT**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated:

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**INSTALLMENT SALE AGREEMENT**

**Dated as of \_\_\_\_\_ 1, 2017**

**Between the**

**MARIN PUBLIC FINANCING AUTHORITY,  
as Seller**

**and**

**SAUSALITO-MARIN CITY SANITARY DISTRICT,  
as Purchaser**

**Relating to**

**\$ \_\_\_\_\_**

**Marin Public Financing Authority  
(Sausalito-Marín City Sanitary District)  
2017 Revenue Bonds**

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**TABLE OF CONTENTS**

**Page**

**ARTICLE I**

**DEFINITIONS; RULES OF INTERPRETATION**

Section 1.1. Definitions.....1  
 Section 1.2. Interpretation.....2

**ARTICLE II**

**REPRESENTATIONS, COVENANTS AND WARRANTIES**

Section 2.1. Representations, Covenants and Warranties of the District.....2  
 Section 2.2. Representations, Covenants and Warranties of Authority .....3

**ARTICLE III**

**ISSUANCE OF BONDS**

Section 3.1. The Bonds .....5  
 Section 3.2. Deposit and Application of Funds .....5  
 Section 3.3. Acquisition of the Wastewater Project .....5  
 Section 3.4. Appointment of District as Agent .....5  
 Section 3.5. Certificate of Completion .....5

**ARTICLE IV**

**SALE OF WASTEWATER PROJECT;  
INSTALLMENT PAYMENTS**

Section 4.1. Sale of Wastewater Project .....6  
 Section 4.2. Term .....6  
 Section 4.3. Title .....6  
 Section 4.4. Installment Payments .....6  
 Section 4.5. Pledge and Application of Net Revenues .....7  
 Section 4.6. Special Obligation of the District; Obligations Absolute .....8  
 Section 4.7. Additional Payments .....9  
 Section 4.8. Rate Stabilization Fund.....10

**TABLE OF CONTENTS**

(continued)

**Page**

**ARTICLE V**

**COVENANTS OF THE DISTRICT**

Section 5.1.	Disclaimer of Warranties., Maintenance, Utilities and Taxes .....	10
Section 5.2.	Release and Indemnification Covenants .....	11
Section 5.3.	Sale or Eminent Domain of Wastewater Enterprise .....	11
Section 5.4.	Insurance .....	12
Section 5.5.	Records and Accounts.....	12
Section 5.6.	Rates and Charges.....	13
Section 5.7.	Superior and Subordinate Obligations .....	13
Section 5.8.	Issuance of Parity Obligations .....	14
Section 5.9.	Governmental Loans.....	14
Section 5.10.	Operation of Wastewater Enterprise in Efficient and Economical Manner .....	15
Section 5.11.	Assignment and Amendment.....	15
Section 5.12.	Continuing Disclosure .....	15

**ARTICLE VI**

**EVENTS OF DEFAULT**

Section 6.1.	Events of Default Defined .....	16
Section 6.2.	Remedies on Default.....	16
Section 6.3.	No Remedy Exclusive.....	17
Section 6.4.	Agreement to Pay Attorneys' Fees and Expenses .....	17
Section 6.5.	No Additional Waiver Implied by One Waiver .....	18
Section 6.6.	Trustee and Bond Owners to Exercise Rights .....	18

**ARTICLE VII**

**PREPAYMENT OF INSTALLMENT PAYMENTS**

Section 7.1.	Security Deposit.....	18
Section 7.2.	Optional Prepayment Relating to the Bonds.....	18
Section 7.3.	Credit for Amounts on Deposit.....	19

**ARTICLE VIII**

**MISCELLANEOUS**

Section 8.1.	Further Assurances.....	19
Section 8.2.	Notices .....	19
Section 8.3.	Governing Law .....	20
Section 8.4.	Binding Effect.....	20
Section 8.5.	Severability of Invalid Provisions.....	20
Section 8.6.	Article and Section Headings and References .....	20
Section 8.7.	Payment on Non-Business Days.....	20

**TABLE OF CONTENTS**

(continued)

	<b>Page</b>
Section 8.8. Execution of Counterparts .....	21
Section 8.9. Waiver of Personal Liability .....	21
Section 8.10. Trustee [and Insurer] as Third Party Beneficiaries .....	21
Section 8.11. [Provisions Relating to Insurer .....	21

APPENDIX A            Schedule of Installment Payments

APPENDIX B            Description of Wastewater Project

## INSTALLMENT SALE AGREEMENT

This **INSTALLMENT SALE AGREEMENT** (this “Agreement”), dated as of \_\_\_\_\_ 1, 2017, is between the **MARIN PUBLIC FINANCING AUTHORITY**, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”), as seller, and the **SAUSALITO-MARIN CITY SANITARY DISTRICT**, a sanitary district duly organized and existing under the laws of the State of California (the “District”), as purchaser.

### WHEREAS CLAUSES:

1. The District presently operates facilities and property for the collection and conveyance of wastewater within its service area (the “Wastewater Enterprise”).
2. The Authority has been formed for the purpose, among others, of issuing its revenue bonds to finance the acquisition, construction and improvement of certain public capital improvements in and for the benefit of the District.
3. The Authority and the District desire to raise funds necessary to finance certain improvements to the Wastewater Enterprise.
4. In order to obtain funds for this purpose, the Authority has authorized the issuance of its Marin Public Financing Authority (Sausalito-Marín City Sanitary District) 2017 Revenue Bonds (the “Bonds”), in the aggregate principal amount of \$ \_\_\_\_\_ under an Indenture of Trust dated as of \_\_\_\_\_ 1, 2017, by and between the Authority and \_\_\_\_\_, as trustee (the “Indenture”), and under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”).
5. The Bonds will be payable from Installment Payments made under this Agreement.

### AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Authority formally covenant, agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS; RULES OF INTERPRETATION

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given them in Article I of the Indenture.

Section 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Authority, [the Insurer] and the Trustee as follows:

(a) Due Organization and Existence. The District is a sanitary district duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement.

(b) Due Execution. The officers of the District executing this Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any



prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Indenture, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Indenture, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Indenture, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under the Indenture.

(g) Encumbrances. There are no easements, encumbrances or interests with respect to the Wastewater Enterprise or the Wastewater Project that prohibit or materially impair the execution, delivery and performance of this Installment Sale Agreement or the acquisition or use of the Wastewater Project or the use of the Wastewater Enterprise.

(h) Senior Indebtedness. The District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

Section 2.2. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants to the District, [the Insurer] and the Trustee as follows:

(a) Due Organization and Existence. The Authority is a joint exercise of powers authority organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Indenture and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the

Authority has duly authorized the execution and delivery of this Agreement and the Indenture.

(b) Due Execution. The representatives of the Authority executing this Agreement and the Indenture are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority with the Authority, enforceable against the Authority in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery hereof and of the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Indenture or the financial condition, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations under this Agreement and the Indenture.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal,

state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations hereunder and under the Indenture.

(g) Encumbrances. To the best knowledge of the Authority, there are no easements, encumbrances or interests with respect to the Wastewater Enterprise that prohibit or materially impair the execution, delivery and performance of this Installment Sale Agreement or the acquisition or use of the Wastewater Enterprise.

### ARTICLE III

#### ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority shall cause the Bonds to be issued under the Indenture in the aggregate principal amount of \$\_\_\_\_\_. The Trustee shall deposit the proceeds of sale of the Bonds received by it on the Closing Date in accordance with the Indenture. The District hereby approves the Indenture, the assignment thereunder to the Trustee of certain rights of the Authority, and the issuance of the Bonds.

Section 3.2. Deposit and Application of Funds. The proceeds received by the Trustee from the sale of the Bonds to the Original Purchaser shall be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.02 of the Indenture.

Section 3.3. Acquisition of the Wastewater Project. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition of the Wastewater Project in accordance with all documents relating thereto and approved by the District under all applicable requirements of law. The failure of the Authority to complete the Wastewater Project by that date does not constitute an Event of Default hereunder or a grounds for termination hereof, nor does any such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due hereunder.

Section 3.4. Appointment of District as Agent. The Authority hereby appoints the District as its agent to carry out all phases of the acquisition of the Wastewater Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the acquisition of the Wastewater Project. As agent of the Authority hereunder, the District shall enter into, administer and enforce all purchase orders or other contracts relating to the Wastewater Project. Payment of Project Costs shall be made by the District from amounts held by the Trustee in the Project Fund in accordance with this Agreement and the Indenture.

Section 3.5. Certificate of Completion. Within thirty (30) days following the completion of the Wastewater Project, an Authorized Representative of the District shall execute and deliver to the Authority and the Trustee a Written Certificate of the District that:

- (a) states that the construction of the Wastewater Project has been substantially completed,
- (b) identifies the total Project Costs thereof, and
- (c) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

#### ARTICLE IV

##### SALE OF WASTEWATER PROJECT; INSTALLMENT PAYMENTS

Section 4.1. Sale of Wastewater Project. The Authority hereby sells, bargains and conveys the Wastewater Project to the District, and the District hereby purchases the Wastewater Project from the Authority, upon the terms and conditions set forth in this Agreement. The Authority and the District are entering into this Agreement in order to finance the facilities and improvements included in the Wastewater Project.

Section 4.2. Term. The Term of this Agreement commences on the Closing Date, and ends on \_\_\_\_\_ 1, 20\_\_, or such later or earlier date on which the Bonds cease to be Outstanding under and within the meaning of the Indenture.

Section 4.3. Title. Title to the Wastewater Project shall be deemed conveyed by the Authority to and vested in the District on the Closing Date. The Authority and the District will execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate the transfer of title to the Wastewater Project to the District. Such title shall be held by the District in trust pending the satisfaction of the payment obligations under this Agreement.

##### Section 4.4. Installment Payments.

(a) Obligation to Pay. The District hereby agrees to pay to the Authority, as the purchase price of the Wastewater Project hereunder, the aggregate principal amount of \$\_\_\_\_\_ together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual installment payments in the respective amounts and on the respective Installment Payment Dates specified in Appendix A hereto.

The District shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date (as set forth in Exhibit A hereto) in an amount which, together with amounts then held by the Trustee in the Bond Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by and payable solely from the sources specified in Section 4.5.

(b) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under Section 7.2, or under the relevant provisions of any Supplemental Agreement, the

District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under this Section 4.4; provided, however, that the District's obligations to compensate and indemnify the Trustee under Sections 4.7 and 5.2 will survive such prepayment. If the District prepays the Installment Payments in part but not in whole under Section 7.2, or under the relevant provisions of any Supplemental Agreement, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections or in such Supplemental Agreement, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of the Indenture and the District shall provide the Trustee with a revised schedule of Installment Payments.

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section 4.4 and Section 4.7, the payment in default will continue as an obligation of the District until fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(d) Assignment. The District understands and agrees that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Bonds, and the District hereby consents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under this Section 4.4 and all amounts payable by the District under Article VII.

#### Section 4.5. Pledge and Application of Net Revenues.

(a) Pledge of Net Revenues. The District hereby grants a first priority lien and security interest in the Net Revenues in order to secure payment of the Installment Payments to the Trustee (as assignee of the Authority under the Indenture). All of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitute a lien and security interest on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof, on a parity with the pledge and lien which secures any Parity Obligations.

(b) Deposit of Gross Revenues into Wastewater Enterprise Fund; Transfers to Make Payments. The District hereby establishes the Wastewater Enterprise Fund, which the District will hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the Gross Revenues in the Wastewater Enterprise Fund immediately upon receipt. The District shall apply amounts in the Wastewater Enterprise Fund as set forth in this Agreement and any Parity Obligations Documents. Amounts on deposit in the Wastewater Enterprise Fund shall be applied by the District to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;

(ii) the Installment Payments and all payments of principal of and interest on any Parity Obligations;

(iii) to the Trustee the amount of any deficiency in the Reserve Account established for the Bonds [(including without limitation amounts due to the Insurer as provider of the Reserve Policy)] and in any reserve fund established for Parity Obligations, the notice of which deficiency has been given to the District in accordance with the Indenture and the related Parity Obligations Documents, respectively;

(iv) any other payments required to comply with the provisions of this Agreement (including Additional Payments) and any Parity Obligations Documents; and

(v) any other purposes authorized under subsection (d) of this Section 4.5.

(c) No Preference or Priority. Payment of the Installment Payments and the principal of and interest on any Parity Obligations shall be made without preference or priority among the Installment Payments and such Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater Enterprise Fund is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Obligations, such payments shall be made on a pro rata basis.

(d) Other Uses of Gross Revenues Permitted. The District shall manage, conserve and apply the Gross Revenues on deposit in the Wastewater Enterprise Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Wastewater Enterprise Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater Enterprise, (iii) the prepayment of any other obligations of the District relating to the Wastewater Enterprise, or (iv) any other lawful purposes of the District.

Section 4.6. Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts. No other funds or property of the District are liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the District to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the District or otherwise with

respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder are fully paid or prepaid, the District

(a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts,

(b) will perform and observe all other agreements contained in this Agreement, and

(c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

The foregoing provisions of this Section 4.6 do not release the Authority from the performance of any of the agreements on its part contained herein or in the Indenture, and if the Authority fails to perform any such agreements, the District may institute such action against the Authority as the District deems necessary to compel performance, so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Authority shall cooperate fully with the District and shall take such action necessary to effect the substitution of the District for the Authority in such action or proceeding if the District may request.

Section 4.7. Additional Payments. In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

(a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of this Agreement and the Indenture;

(b) to the Trustee upon request therefor, all of its fees, costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents;

(c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under Section 5.2 hereof and Section 8.07 of the Indenture;

[(d) to the Insurer, all amounts set forth in Section 11.16 of the Indenture; and]

(e) all costs and expenses of auditors, engineers and accountants for professional services relating to the Wastewater Enterprise or the Bonds.

The Additional Payments shall be payable from, but shall not be secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority under this Section 4.7, and the obligations of the District under this Section 4.7, shall survive the termination of this Agreement, and with regard to the Trustee, the resignation or removal of the Trustee.

Section 4.8. Rate Stabilization Fund.

The District has the right at any time to establish a fund to be held by it and administered in accordance with this section, to be known as the “Rate Stabilization Fund,” for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater Enterprise.

From time to time the District may deposit amounts in the Rate Stabilization Fund from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Obligations, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Enterprise Fund in any Fiscal Year for the purpose of paying Annual Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Enterprise Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Wastewater Enterprise Fund.

Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. All interest or other earnings on deposits in a Rate Stabilization Fund will be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Enterprise Fund. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

The District does not currently maintain funds in a Rate Stabilization Fund.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.1. Disclaimer of Warranties., Maintenance, Utilities and Taxes.

(a) The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to the Project or any component thereof. In no event is the Authority liable for incidental, indirect, special or consequential damages, in connection with



or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or use of the Project.

(b) Throughout the Term of this Agreement, all improvement, repair and maintenance of the Wastewater Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise, arrange for the payment of all utility services supplied to the Wastewater Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater Enterprise resulting from ordinary wear and tear.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting the Wastewater Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

Section 5.2. Release and Indemnification Covenants. The District agrees to indemnify the Authority and the Trustee and their respective officers, directors, employees, agents, successors and assigns, against all costs, claims, losses, liabilities, penalties, fines and damages, including legal fees and expenses, arising out of

- (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Wastewater Enterprise by the District,
- (b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement or the Indenture,
- (c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater Enterprise,
- (d) any act or omission of any lessee of the District with respect to the Wastewater Enterprise, and
- (e) the acceptance or administration of the Indenture and the trusts thereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers hereunder or under the Indenture.

No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Authority, or the Trustee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement and the earlier removal or resignation of the Trustee.

Section 5.3. Sale or Eminent Domain of Wastewater Enterprise. Except as provided herein, the District covenants that the Wastewater Enterprise shall not be encumbered, sold,

leased, pledged, have any charge placed thereon, or otherwise be disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments or the principal of or interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Obligations Documents.

The District may not enter into any agreement which impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

If any substantial part of the Wastewater Enterprise is sold, the payment therefor shall be used for the acquisition or construction of improvements to the Wastewater Enterprise.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall be used for the acquisition or construction of improvements to the Wastewater Enterprise.

Section 5.4. Insurance. The District shall at all times maintain with responsible insurers all such insurance on the Wastewater Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater Enterprise.

The District shall apply any amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise to repair or rebuild such damaged or destroyed portion of the Wastewater Enterprise.

The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Authority, the Trustee and the Owners of the Bonds.

Any policy of insurance required under this Section 5.4 may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

Section 5.5. Records and Accounts. The District shall keep proper books of record and accounts of the Wastewater Enterprise in which complete and correct entries shall be made of all transactions relating to the Wastewater Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Bonds, or their representatives authorized in writing, upon not less than 2 Business Days' prior notice to the District.

The District shall cause the books and accounts of the Wastewater Enterprise to be audited annually by an Independent Accountant not more than 9 months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District and at the Trust Office of the Trustee. Such report may be part of a

combined financial audit or report covering all or part of the District's finances. The Trustee shall have no duty to review, verify or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Owners; the Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

Section 5.6. Rates and Charges.

(a) Covenant Regarding Gross Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year.

(ii) All Installment Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or the principal of and interest on such Parity Obligations are payable from the proceeds of the Bonds or such Parity Obligations, as applicable, or from any source of legally available funds of the District (other than the Gross Revenues of the Wastewater Enterprise) that have been deposited with the Trustee for such purpose before the beginning of that Fiscal Year.

(iii) All amounts, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement, [including without limitation any Policy Costs (as defined in the Indenture) due to the Insurer as provider of the Reserve Policy].

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year, except to the extent other sources of funds are reserved or encumbered therefore.

(b) Covenant Regarding Net Revenues. In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year that are sufficient, after making allowances for contingencies and errors in estimates, to yield Net Revenues that are at least equal to \_\_\_% of the amount described in the preceding clauses (a)(ii) and (iii) for such Fiscal Year.

Section 5.7. Superior and Subordinate Obligations. The District may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments.

Nothing herein is intended or shall be construed to limit or affect the ability of the District to issue, enter into or incur

- (a) Parity Obligations under Section 5.8, or
- (b) obligations that are either unsecured or that are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

Section 5.8. Issuance of Parity Obligations. Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Obligations, the District may not issue or incur any Parity Obligations during the Term hereof unless all of the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing.
- (b) The amount of Net Revenues, excluding connection fees and transfers from the Rate Stabilization Fund, as shown by the books of the District for the most recent completed Bond Year for which audited financial statements of the District are available or for any more recent consecutive 12-month period selected by the District, in either case verified by an Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus at the option of the District any Additional Revenues, are at least equal to \_\_\_% of the amount of Maximum Annual Debt Service coming due and payable in the current or any future Bond Year with respect to the Bonds and all Parity Debt then outstanding (including the Parity Debt then proposed to be issued).

If the Parity Obligations are being issued solely to refund outstanding Parity Obligations, and the resulting Annual Debt Service for each Bond Year is less than the Annual Debt Service for each Bond Year prior to the issuance of the refunding Parity Obligations, the District need not comply with the provisions of paragraphs (a) and (b) above. The Parity Obligations may be, but are not required to be, in the form of Supplemental Agreements, and may, but are not required to, secure the payment of debt service on Bonds.

Section 5.9. Governmental Loans.

(a) The District may borrow money from a Governmental Agency and incur a Governmental Loan to finance improvements to the Wastewater Enterprise. A Governmental Loan may be treated as a Parity Obligation for purposes of this Agreement, so long as the District complies with Sections 5.8(a) and (b) of this Agreement before incurring the Governmental Loan.

(b) (i) A Governmental Agency shall not be entitled to be paid from monies then on hand in the Reserve Account (or amounts available to be drawn under the Reserve Policy) if the Net Revenues are ever insufficient to make a timely payment on the Governmental Loan, and (ii) the District shall not make a payment on any Governmental Loan (except as expressly permitted in subsection (c) below) to the extent it would have the effect of causing the District to fail to make a timely payment on the Bonds.

(c) If Net Revenues are ever insufficient to pay the full amount of Installment Payments and other Parity Obligations then Outstanding and such Governmental Loan, the District shall make payments on the Installment Payments and other Parity Obligations and such Governmental Loan on a pro rata basis.

Section 5.10. Operation of Wastewater Enterprise in Efficient and Economical Manner. The District covenants and agrees to operate the Wastewater Enterprise in an efficient and economical manner and to operate, maintain and preserve the Wastewater Enterprise in good repair and working order.

Section 5.11. Assignment and Amendment. The Authority and the District may at any time amend or modify any of the provisions of this Agreement, but only: (a) with the prior written consents of [the Insurer and] the Owners of a majority in aggregate principal amount of the Outstanding Bonds, or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the District and the Authority;

(iii) to modify, amend or supplement this Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code (provided that this provision shall not apply to bonds the interest on which is intended to be included in gross income for purposes of federal income taxation);

(iv) in any other respect whatsoever as the Authority and the District deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds; and

(v) to provide for the issuance of Parity Obligations pursuant to Section 5.8 hereof.

No such modification or amendment may (a) extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 5.12. Continuing Disclosure. The District hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate (the "Continuing Disclosure Certificate") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms.

Notwithstanding any other provision of this Agreement, failure by the District to comply with the Continuing Disclosure Certificate shall not constitute a default hereunder or under the Indenture of Trust; provided, however, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.12, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 5.12 shall have the meanings given in the Continuing Disclosure Certificate.

## ARTICLE VI

### EVENTS OF DEFAULT

Section 6.1. Events of Default Defined. The following events constitute Events of Default hereunder:

(a) Failure by the District to pay any Installment Payment when due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; provided, however, that if the District notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an event of default hereunder if the District commences to cure such failure within such 60 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time not to exceed 180 days of the date of such written notice of failure.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence of any event defined to be an event of default under any Parity Obligations Documents.

Section 6.2. Remedies on Default. If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority and subject to its rights and protections under the Indenture has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

Notwithstanding the foregoing provisions of this subsection (a), the Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, if (i) the District deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and (ii) the District pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults actually known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

Section 6.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

Section 6.4. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the

reasonable fees and expenses of such attorneys and such other expenses so incurred. The provisions of this Section 6.4 survive the expiration of the Term of this Agreement.

Section 6.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and does not waive any other breach hereunder.

Section 6.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Security Deposit. Notwithstanding any other provision hereof, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit.

If the District makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions hereof.

Section 7.2. Optional Prepayment Relating to the Bonds. The District may exercise its option to prepay the principal components of the Installment Payments relating to the Bonds in whole or in part on any date on or after \_\_\_\_\_ 1, 20\_\_.

The District may exercise such option by payment of a prepayment price equal to the sum of:



- (a) the aggregate principal components of the Installment Payments relating to the Bonds to be prepaid,
- (b) the interest component of the Installment Payment relating to the Bonds required to be paid on or accrued to such date, and
- (c) the premium (if any) then required to be paid upon the corresponding redemption of the Bonds under Section 4.01(a) of the Indenture.

The Trustee shall deposit the prepayment price in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. If the District prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee.

Section 7.3. Credit for Amounts on Deposit. If the District prepays the Installment Payments in full under this Article VII, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.1. Further Assurances. The District agrees that it will execute and deliver and file any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 8.2. Notices. Any notice, request, complaint, demand or other communication under this Agreement must be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice is effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt; provided, however that notice to the Trustee shall be deemed given only upon receipt by it. The Authority, the District and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District  
or the Authority:

If to the Trustee:

Section 8.3. Governing Law. This Agreement will be construed in accordance with and governed by the laws of the State of California.

Section 8.4. Binding Effect. This Agreement inures to the benefit of and is binding upon the Authority and the District and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 8.5. Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 8.6. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender mean and include words of the feminine and neuter genders.

Section 8.7. Payment on Non-Business Days. Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the immediate preceding Business Day.

Section 8.8. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original and all of which together constitute but one and the same instrument.

Section 8.9. Waiver of Personal Liability. No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained relieves any such member of the Board of Supervisors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

Section 8.10. Trustee [and Insurer] as Third Party Beneficiaries. The Trustee [and the Insurer] are hereby made third party beneficiaries hereof and are entitled to the benefits of this Agreement with the same force and effect as if the Trustee [and the Insurer] were parties hereto.

Section 8.11. [Provisions Relating to Insurer. The provisions of this Section shall govern, notwithstanding anything to the contrary set forth in this Installment Sale Agreement. Section 11.16 of the Indenture is hereby incorporated by reference and the District agrees to the provisions of Section 11.16 of the Indenture.]

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Authority and the District have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

MARIN PUBLIC FINANCING AUTHORITY,  
as Seller

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SAUSALITO-MARIN CITY SANITARY  
DISTRICT, as Purchaser

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**APPENDIX A**

**SCHEDULE OF INSTALLMENT PAYMENTS**

<u>Interest Payment Date<sup>(1)</sup></u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
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<sup>(1)</sup> Installment Payment Dates are the 5<sup>th</sup> Business Day immediately preceding each Interest Payment Date shown in the table.

## **APPENDIX B**

### **DESCRIPTION OF WASTEWATER PROJECT**

The Bonds are being issued primarily to finance capital improvements to the Wastewater Enterprise consisting primarily of improvements to the District's wastewater treatment plant. The Bonds may also be used to finance any other capital project of benefit to the Wastewater Enterprise.

**OFFICIAL NOTICE OF SALE**  
**and**  
**OFFICIAL BID FORM**

\_\_\_\_\_

**[\$[Par Amount]\***

**MARIN PUBLIC FINANCING AUTHORITY**  
**(Sausalito-Marin City Sanitary District)**  
**2017 Revenue Bonds**

\_\_\_\_\_

The Marin Public Financing Authority will receive electronic bids for the above-referenced bonds at the place and up to the time specified below:

**SALE DATE:** \_\_\_\_\_, March \_\_\_, 2017\*  
(Subject to postponement or cancellation in accordance with this Official Notice of Sale)

**TIME:** 10:00 a.m. (California time)\*

**PLACE:** Electronic bids through Ipreo LLC’s  
BIDCOMP™/PARITY© System (“Parity”)

**DELIVERY DATE:** March \_\_\_, 2017\*

\_\_\_\_\_  
\* Preliminary, subject to change.

**OFFICIAL NOTICE OF SALE**

**[\$[PAR AMOUNT]\*  
MARIN PUBLIC FINANCING AUTHORITY  
(SAUSALITO-MARIN CITY SANITARY DISTRICT)  
2017 REVENUE BONDS**

NOTICE IS HEREBY GIVEN that that electronic bids will be received in the manner described below through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") by the Marin Public Financing Authority (the "Authority") for the purchase of \$[Par Amount]\* aggregate principal amount of Marin Public Financing Authority (Sausalito-Marin City Sanitary District) 2017 Revenue Bonds (the "Bonds"), more particularly described hereinafter, on:

**March \_\_, 2017, at 10:00 a.m. (California time)\***  
(subject to postponement or cancellation in accordance with this Official Notice of Sale)

See "TERMS OF SALE – Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

**THE RECEIPT OF BIDS ON \_\_\_\_\_, MARCH \_\_, 2017\*, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE AUTHORITY THROUGH BLOOMBERG BUSINESS NEWS ("BLOOMBERG") AND/OR PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.** Notice of the new date and time for receipt of bids will be given through Bloomberg and/or Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the municipal advisor to the Authority: Bartle Wells Associates, 1889 Alcatraz Avenue, Berkeley, California 94703; telephone (415) 858-8081, Attention: Tom Gaffney (e-mail: tgaffney@bartlewells.com) (the "Municipal Advisor"), *provided*, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Postponement or Cancellation of Sale."

The Authority reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the payments of principal of the Bonds scheduled to be paid as shown under "TERMS RELATING TO THE BONDS – Principal Payments"; *provided*, that any such modification or amendment will be communicated to potential bidders through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Right to Modify or Amend."

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\* Preliminary, subject to change.



Bidders are referred to the Preliminary Official Statement, dated March \_\_, 2017, of the Authority with respect to the Bonds (the “**Preliminary Official Statement**”) for additional information regarding the Authority, Sausalito-Marín City Sanitary District (the “District”), the Bonds, the security for the Bonds and other matters. See “CLOSING PROCEDURES AND DOCUMENTS – Official Statement.” Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system and will be available online at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale will control, unless a notice of an amendment is given as described herein. BIDCOMP/Parity can be contacted at 1359 Broadway, NY, NY 10018 or by phone at (212) 849-5021.

### **TERMS RELATING TO THE BONDS**

**THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION, AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.**

Subject to the foregoing, the Bonds are generally described as follows:

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the successful bidder (the “**Purchaser**”), all dated the date of delivery, which is expected to be March \_\_, 2017\*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on October 1, 2017, and semiannually thereafter on April 1 and October 1 of each year (each an “**Interest Payment Date**”). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

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\* Preliminary, subject to change.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent ( $1/8$  or  $1/20$  of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity may not exceed five percent (5.00%) per annum;
- (iii) no Bond may bear a zero rate of interest;
- (iv) each Bond must bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid;
- (v) all Bonds maturing at any one time must bear the same rate of interest; and
- (vi) the interest rate on any maturity shall not be less than the interest rate on any prior maturity.

Principal Payments. The Bonds will be serial and/or term Bonds, as specified by each bidder, and principal will be payable on April 1 each year, commencing on April 1, 2018 as shown below. The final maturity of the Bonds will be April 1, [2042]. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year must be in integral multiples of \$5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. **Bidders will provide bids on the Total Principal Amount only.** Subject to adjustment as hereinafter provided, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

<b>Principal Payment Date (April 1)</b>	<b>Total Principal Amount*</b>
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
[2042]	
TOTAL	

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Authority with respect to the likely interest rates and premium contained in the winning bid. **The Authority therefore reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of \$5,000, as determined in the sole discretion of the Authority. Any such adjustment of principal payments on the Bonds will be based on the schedule of principal payments provided by the Authority to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter’s discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

**THE PURCHASER WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES**

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\* Preliminary, subject to change.

**MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.**

Redemption. (a) Optional Redemption. The Bonds maturing on or before April 1, 2027 will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after April 1, 2028, are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 2027, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments, on each April 1 designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

Payments. Principal of, redemption premium, if any, and interest on the Bonds will be paid by [Name of Trustee], \_\_\_\_\_, California, as Trustee, to DTC. DTC is required to remit such principal, redemption premium and interest to its Participants for disbursement to the beneficial owners of the Bonds.

**TERMS OF SALE**

Bids. The net bid for the Bonds must not be less than 99% of the par amount of the Bonds.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds, (2) unconditional, and (3) submitted via Parity. Electronic bids must conform to the procedures established by Parity and received by 10:00 a.m. (California time). No bid submitted to the Authority may be withdrawn or modified by the bidder.

**All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids will be rejected. No bid submitted to the Authority may be withdrawn or modified by the bidder. No bid will be accepted after the time for receiving bids. The Authority retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Authority takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.**

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further

information about Parity, potential bidders may contact the Municipal Advisor or Parity, phone: (212) 404-8107.

**Warnings Regarding Electronic Bids.** Bids for the Bonds shall be submitted electronically via Parity. None of the Authority, the District, the Municipal Advisor or Bond Counsel (defined below) assumes any responsibility for any error contained in any bid submitted electronically or for the failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

By submitting an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the Authority will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Authority will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority; (5) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the Authority may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the Authority, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Authority unless that information is included in this Official Notice of Sale or the Official Bid Form.

**Basis of Award.** The Authority reserves the right to reject all the bids or postpone the bids for any reason. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder which timely submits a conforming bid that represents the lowest true interest cost ("TIC") to the Authority and which timely provides the Good Faith Deposit as described under "– Good Faith Deposit" below. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount

of the Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the Authority reserves the right to exercise its own discretion and judgment in making the award. Bid evaluations or rankings made by Parity are not binding on the Authority.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the Authority.

Multiple Bids. If multiple bids are received from a single bidder by any means or combination of means, the Authority will accept the bid representing the lowest TIC to the Authority. Each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest TIC to the Authority.

Good Faith Deposit. To secure the Authority from any loss resulting from the failure of the winning bidder to comply with the terms of its bid, a good faith deposit in the amount of \$300,000 (the “**Good Faith Deposit**”) must be provided by the winning bidder.

Upon the determination by the Authority of the winning bidder of the Bonds, the Municipal Advisor will notify the winning bidder of the Authority’s determination. After notification, the winning bidder will confirm to the Municipal Advisor by telephone ((415) 858-8081) that the winning bidder will wire the Good Faith Deposit as soon as possible and in any event not later than twenty-four (24) hours after verbal notice of the bid award. The winning bidder will provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor. The wire transfer instructions will be provided to the winning bidder at the time of the bid award.

If the winning bidder does not confirm to the Municipal Advisor that the winning bidder will wire the Good Faith Deposit upon receipt of wiring instructions from the Authority as provided herein, the Authority may, in its sole discretion, reject the bid of the winning bidder and may award the Bonds to the responsible bidder that timely submitted a conforming bid that represents the next lowest TIC to the Authority, which will in turn become and will assume the responsibilities of the winning bidder as described in this paragraph.

The Good Faith Deposit will immediately upon receipt become the property of the Authority and will be held and invested for the exclusive benefit of the Authority. No interest will be paid upon the Good Faith Deposit. The Good Faith Deposit, without interest, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery of the Bonds.

If the purchase price is not paid in full upon tender of the Bonds by the Authority to the Purchaser, the Authority will retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it appears that the Bonds would not be validly delivered if delivered to the Purchaser in the form and manner proposed, except pursuant to a right of

cancellation. See “CLOSING PROCEDURES AND DOCUMENTS – Right of Cancellation.” If the Purchaser fails to deliver the Good Faith Deposit in accordance with this Official Notice of Sale or fails to take up and pay for the Bonds, the Authority reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the Authority.

Electronic Bids; Delivery of Form of Bids. If the Authority accepts a bidder’s bid that was submitted through Parity, the successful bidder must submit a signed, completed and conforming Official Bid Form by scanned email transmission to Bartle Wells Associates, the Authority’s Municipal Advisor, as soon as practicable.

Reoffering Prices and Certificate. The successful bidder for the Bonds must actually reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable after the award of the Bonds, the successful bidder must provide to the Authority the initial offering prices at which it has offered all of the Bonds of each maturity of each series to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a *bona fide* public offering. Prior to delivery of the Bonds, the successful bidder must provide to the Authority, Hawkins Delafield & Wood LLP (“**Bond Counsel**”), One Embarcadero Center, Suite 3820, San Francisco, California 94111, fax: (415) 397-1513; Attention: Sean Tierney; e-mail: stierney@hawkins.com, a reoffering price certificate in the form acceptable to Bond Counsel. In addition, at the request of Bond Counsel, the successful bidder will provide information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The Authority reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The Authority reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity for any series of Bonds and adding or deleting serial maturity dates, along with corresponding principal amounts with respect thereto, for any years from 2018 through and including [2042]; *provided*, that any such modification or amendment will be communicated to potential bidders through Parity and/or Bloomberg not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of a potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The Authority may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through Parity and/or Bloomberg as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity and/or Bloomberg as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving

bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Time for Award. The President of the Authority (the “**President**”) will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Bond Counsel will deliver an opinion to the effect that in the opinion of such Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” in the Preliminary Official Statement.

A copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix E to the Preliminary Official Statement. The approving legal opinion of Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the opinion will be filed with the President.

### CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC, and is presently expected to take place on or about March \_\_, 2017\*.** Payment for the Bonds (including any premium) must be made to the [Name of Trustee], as Trustee, at the time of delivery in immediately available funds. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Authority will deliver to the Purchaser, dated as of the delivery date, the legal opinion with respect to the Bonds described in APPENDIX E – “FORM OF BOND COUNSEL OPINION” to the Official Statement.

Qualification for Sale. The Authority will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Authority may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the Authority will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no

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\* Preliminary, subject to change.



circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The Authority will deliver a certificate stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the Authority executing such certificate, threatened, concerning the validity of the Bonds, the ability of the Authority to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the Authority, or the title to their respective offices of the officers of the Authority who will execute the Bonds.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Authority fails to execute the Bonds and tender the same for delivery within thirty (30) days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of each series of the Bonds. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The Authority will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Municipal Advisor. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the Authority deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Municipal Advisor is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the Authority in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to file promptly a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other

actions necessary to comply with applicable rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board governing the offering, sale and delivery of the Bonds to the Purchaser, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Authority. The Purchaser's name will not appear on the cover of the Official Statement.

Certificates Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the Authority and the District, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system and reoffering information, as to which no view will be expressed), as of the date of sale of the Bonds and as of the date of their delivery, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the Authority will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be included in the final Official Statement.

Dated: March \_\_, 2017

BID TIME: 10:00 A.M. (California time)

Tuesday, March \_\_, 2017

**OFFICIAL BID FORM FOR THE PURCHASE OF  
 \$[PAR AMOUNT]\*  
 MARIN PUBLIC FINANCING AUTHORITY  
 (SAUSALITO-MARIN CITY SANITARY DISTRICT)  
 2017 REVENUE BONDS**

BIDDING FIRM'S NAME: \_\_\_\_\_

President  
 Marin Public Financing Authority

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated March \_\_, 2017, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the “**Bonds**”) and hereby offer to purchase all of the \$[Par Amount]\* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of \$300,000 within the time and in the manner specified in the Official Notice of Sale; and to pay therefor the price of \$\_\_\_\_\_, which is equal to the aggregate principal amount of the Bonds plus a net premium of \$\_\_\_\_\_ (such amount being the “**Purchase Price**”). The Bonds will mature and will be subject to mandatory sinking fund redemption (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedules below.

**Combined Maturity Schedule\***

(Check one) <sup>(1)</sup>					(Check one) <sup>(1)</sup>				
Principal Payment Date (April 1)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate	Principal Payment Date (April 1)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
2018					2031				
2019					2032				
2020					2033				
2021					2034				
2022					2035				
2023					2036				
2024					2037				
2025					2038				
2026					2039				
2027					2040				
2028					2041				
2029					[2042]				
2030									
					TOTAL				

\* Subject to adjustment in accordance with the Official Notice of Sale.  
 (1) Circle the final maturity of each term bond specified.

FIRM'S NAME: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signatory

Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

TIC (optional and not binding): \_\_\_\_\_

**THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE AUTHORITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.**

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_, 2017**

**NEW ISSUE - FULL BOOK-ENTRY**

[INSURED RATING: \_\_\_\_: “ \_\_\_\_”]  
[UNDERLYING] RATINGS: S&P: “ \_\_\_\_”  
Fitch: “ \_\_\_\_”  
See “RATINGS”

*In the opinion of Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS.”*

**[\$[35,850,000]\*  
MARIN PUBLIC FINANCING AUTHORITY  
(SAUSALITO-MARIN CITY SANITARY DISTRICT)  
2017 REVENUE BONDS**

**Dated: Date of Delivery**

**Due: April 1, as shown on inside cover**

The bonds captioned above (the “Bonds”) are being issued by the Marin Public Financing Authority (the “Authority”) pursuant to resolutions adopted by the boards of directors of the Authority on March \_\_, 2017 and Sausalito-Marín City Sanitary District (the “District”) on March \_\_, 2017; an Installment Sale Agreement dated as of March 1, 2017 (the “Installment Sale Agreement”), between the Authority, as seller, and District, as purchaser; and an Indenture of Trust dated as of March 1, 2017 (the “Indenture”), by and between the Authority and [Bankers Trust Company], as trustee (the “Trustee”). See “THE BONDS – Authority for Issuance.”

The Bonds are being issued to provide funds to (i) finance certain capital improvements to the District’s wastewater system; (ii) provide a debt service reserve for the Bonds [through the purchase of a reserve surety]; and (iii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on October 1, 2017, and will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. With respect to any Interest Payment Date, the “Record Date” is the 15th calendar day of the preceding month, whether or not that day is a “Business Day” (as defined in the Indenture).

The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – General Provisions” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption and mandatory sinking fund redemption before maturity. See “THE BONDS – Redemption.”

The Bonds are payable from and secured by a lien on “Net Revenues” (as defined in this Official Statement) of the wastewater system. The District is obligated to make payments of Net Revenues to the Authority under the Installment Sale Agreement (“Installment Payments”), and the Authority is, in turn, required under the Indenture to use the Installment Payments to pay interest on and principal of the Bonds. See “SECURITY FOR THE BONDS.”

In the Installment Sale Agreement, the District is also obligated under a rate covenant to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the District during each Bond Year. See “SECURITY FOR THE BONDS – Rate Covenant.” The Bonds will be secured by Net Revenues on a parity with certain outstanding obligations of the District. The District may issue or incur additional obligations and bonds on parity with or subordinate to the Installment Payments if the conditions set forth in the Installment Sale Agreement are met. See “SECURITY FOR THE BONDS – Parity Obligations; Issuance by District of Additional Debt.”

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by [Insurer]. See “MUNICIPAL BOND INSURANCE.”]

[Insurer Logo]

**The Bonds are special, limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues (consisting principally of Installment Payments received from the District). Neither the full faith and credit of the Authority nor its members (including the District) is pledged for the payment of the Bonds and no tax or other source of funds other than the Revenues is pledged to pay the Bonds. The Bonds do not constitute a debt, liability or obligation of the Authority or any member of the Authority (including the District) in violation of any constitutional or statutory debt limitation or for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power. The obligation of the District to pay Installment Payments under the Installment Sale Agreement is secured solely by the Net Revenues of the District. The full faith and credit of the District is not pledged for the payment of the Installment Payments and no tax or other source of funds other than the Net Revenues is pledged to pay the Installment Payments. The Installment Payments do not constitute a debt, liability or obligation of the District in violation of any constitutional or statutory debt limitation.**

BIDS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE DISTRICT AT \_\_:00 A.M. CALIFORNIA TIME ON MARCH \_\_, 2017, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED MARCH \_\_, 2017, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See “SALE OF THE BONDS” herein.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_\_, 2017**

**MATURITY SCHEDULE**  
**(see inside cover)**

This cover page contains certain information for quick reference only and is not a summary of information about the Bonds. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds. See “BOND OWNERS’ RISKS.”

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Hawkins Delafield & Wood LLP, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and District by Hawkins Delafield & Wood LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority by The Law Offices of David J. Byers, Sonoma, California, as Authority Counsel, and for the District by Meyers Nave Riback Silver & Wilson, PLC, Oakland, California, as District Counsel. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about March \_\_\_, 2017.

The date of this Official Statement is March \_\_\_, 2017.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULE**

\$\_\_\_\_\_ Serial Bonds  
 (Base CUSIP†: \_\_\_\_\_)

<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price / Yield</b>	<b>CUSIP† Suffix</b>
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\$\_\_\_\_\_ % Term Bond due April 1, 20\_\_; Price/Yield \_\_\_\_\_; CUSIP† No.: \_\_\_\_\_

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† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP data in this Official Statement is provided by CGS. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Authority assumes any responsibility for the accuracy of these CUSIP data. The CUSIP number for a specific maturity is subject to being changed after delivery of the Bonds as a result of various subsequent actions, including a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**MARIN PUBLIC FINANCING AUTHORITY  
SAUSALITO-MARIN CITY SANITARY DISTRICT**

**District Board of Directors**

Dan J. Rheiner, *President*  
William F. H. Ring, *Vice President*  
Ann Arnott, *Director*  
Don Beers, *Director*  
James DeLano, *Director*

**District Staff**

Jeffrey Kingston, *General Manager*  
Helen Lei, *Office Manager/Board Secretary*  
Kevin Rahman, *Associate Engineer*  
Jorge Omar Arias-Montez, *Operations Superintendent*

**Authority Board of Directors**

Mark Williams  
Jeffrey Kingston  
Susan McGuire  
Helen Lei

**Municipal Advisor**

Bartle Wells Associates  
Berkeley, California

**Bond Counsel and Disclosure Counsel**

Hawkins Delafield & Wood LLP  
San Francisco, California

**Authority Counsel**

The Law Offices of David J. Byers  
Sonoma, California

**District Counsel**

Meyers Nave Riback Silver & Wilson, PLC  
Oakland, California

**Trustee**

[Bankers Trust Company]  
\_\_\_\_\_, California



## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***Use of Official Statement.*** This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part for any other purpose. This Official Statement is not a contract between any Owner of the Bonds and the Authority or the District.

***Estimates and Forecasts.*** When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or Authority, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof.

***Limit of Offering.*** No dealer, broker, salesperson or other person has been authorized by the District or the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there should be no sale of the Bonds by a person in any jurisdiction in which it is unlawful for that person to make any offer, solicitation or sale.

***Limited Scope of Information.*** The Authority and District have obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Installment Sale Agreement and the Indenture.

***Stabilization of Prices.*** In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. That stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices contained on the inside cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

***No Registration.*** **The Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on an exemption contained in Section 3(a)(2) of the Securities Act. Also, they have not been registered or qualified under the securities laws of any state.**

***Website Information Not Incorporated.*** The District maintains an Internet website, but the information that it contains is not incorporated into this Official Statement.

## TABLE OF CONTENTS

INTRODUCTION .....	1
FINANCING PLAN .....	4
Wastewater Project .....	4
Estimated Sources and Uses of Funds .....	4
Debt Service Schedule .....	5
THE BONDS .....	6
Authority for Issuance .....	6
General Provisions .....	6
Redemption .....	6
SECURITY FOR THE BONDS .....	8
Revenues; Pledge of Revenues .....	8
Installment Payments; Application of District Revenues .....	8
Allocation of Revenues by Trustee .....	11
Reserve Account .....	11
Installment Payments as Special Obligation of the District; Obligations Absolute .....	12
Rate Stabilization Fund .....	13
Rate Covenant .....	13
Parity Obligations; Issuance by District of Additional Debt .....	14
Proceeds of Insurance, Sale or Condemnation Awards .....	16
[MUNICIPAL BOND INSURANCE] .....	16
[Bond Insurance Policy] .....	16
THE DISTRICT .....	17
General .....	17
District Governance and Management .....	17
Wastewater Facilities .....	19
Customer Base .....	20
Wastewater Rates and Charges .....	23
Ad Valorem Tax Revenues .....	25
Billing Practices and Collection .....	26
Outstanding District Obligations .....	26
Employees and Benefits .....	27
Investments .....	27
Insurance .....	28
Financial Statements .....	28
Balance Sheet .....	28
Historical Operating Results .....	30
Projected Operating Results and Debt Service Coverage .....	30

Future Capital Improvements .....	32
Regulatory Requirements .....	33
THE AUTHORITY .....	34
BOND OWNERS' RISKS.....	34
Net Revenues; Rate Covenant .....	34
Risks Related to Facilities and Operations .....	34
Risk of Fines and Litigation.....	35
Risk of Ad Valorem Property Tax Diversion .....	36
Limitations on Remedies Available to Bond Owners.....	36
Loss of Tax-Exemption .....	36
Limitations on Rate Setting Under the California Constitution.....	36
Secondary Market for Bonds .....	39
Future Parity Obligations.....	39
Bankruptcy.....	39
TAX MATTERS.....	40
CERTAIN LEGAL MATTERS .....	43
REGULATORY MATTERS AND LITIGATION .....	43
RATINGS .....	43
CONTINUING DISCLOSURE.....	43
SALE OF THE BONDS .....	44
PROFESSIONAL SERVICES .....	44
EXECUTION .....	45
APPENDIX A	– SUMMARY OF PRINCIPAL LEGAL DOCUMENTS
APPENDIX B	– FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016
APPENDIX C	– FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX D	– GENERAL INFORMATION ABOUT THE CITY OF SAUSALITO, MARIN CITY AND THE COUNTY OF MARIN
APPENDIX E	– FORM OF BOND COUNSEL OPINION
APPENDIX F	– DTC AND THE BOOK-ENTRY ONLY SYSTEM
[APPENDIX G	– SPECIMEN MUNICIPAL BOND INSURANCE POLICY]

**OFFICIAL STATEMENT**

**[\$35,850,000]\***  
**MARIN PUBLIC FINANCING AUTHORITY**  
**(SAUSALITO-MARIN CITY SANITARY DISTRICT)**  
**2017 REVENUE BONDS**

**INTRODUCTION**

This Official Statement, including its cover page, inside cover page and appendices, is provided to furnish information in connection with the sale by the Marin Public Financing Authority (the “Authority”) of the revenue bonds captioned above (the “Bonds”).

The information contained in this section is an introduction to, but not a summary of, this Official Statement. The introduction is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including its cover page and appendices. A full review should be made of the entire Official Statement, pursuant to which the offering of the Bonds to potential investors is exclusively made.

No descriptions and summaries of documents contained in this Official Statement purport to be comprehensive or definitive, and reference is made to each document described or summarized for complete details of all its terms and conditions. Capitalized terms used but not defined in this Official Statement have the meanings given in APPENDIX A. All statements in this Official Statement are qualified in their entirety by reference to those documents.

***The Authority.*** The Authority was created by a Joint Exercise of Powers Agreement, dated January 24, 2017, between Sausalito-Marin City Sanitary District (the “District”) and Las Gallinas Valley Sanitary District. That agreement was entered into pursuant to Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. In general, the Authority has no assets and no obligation to pay debt service on the Bonds other than from Installment Payments (as defined herein) received from the District and from certain other funds held under the Indenture (as defined herein). See “THE AUTHORITY.”

***Authority for Issuance.*** The Authority is issuing the Bonds under the following:

- (a) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”);
- (b) resolutions adopted by the Authority’s board of directors (the “Authority Board”) on March \_\_, 2017 and the District’s board of directors (the “District Board”) on \_\_\_\_\_, 2017; and
- (c) an Installment Sale Agreement dated as of March 1, 2017 (the “Installment Sale Agreement”), between the Authority and the District, and an Indenture of Trust dated as of March 1, 2017 (the “Indenture”), by and between the Authority and [Bankers Trust Company], as trustee (the “Trustee”).

***The District and the Wastewater System.*** The District is a special district that was formed under the Sanitary District Act of 1923 (California Health and Safety Code, Section 6400 et. seq.) and was incorporated in November 1950. The District provides wastewater conveyance and treatment services within its jurisdictional boundaries, which include the City of Sausalito and unincorporated areas, including Marin City. The District also provides sewer collection services for the unincorporated areas including Marin City. The District provides

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\* Preliminary, subject to change.

wastewater conveyance and treatment to the Tamalpais Community Services District (“TCSD”) and the National Park Service, and operates and maintains the City of Sausalito’s four pump stations all under contract. Treated wastewater is discharged into the deep waters of the central San Francisco Bay. The District is located in Marin County, California (the “County”), and serves more than 18,000 customers. See “THE DISTRICT.”

The District’s facilities include a 1.8 million-gallon per day secondary wastewater treatment plant, seven sewer pump stations, and approximately ten miles of pipelines. The District’s wastewater treatment plant is located on land owned by the National Park Service. The District operates the wastewater treatment plant under a right-of-way easement agreement under which the District provides wastewater treatment at no cost to the National Park Service in exchange for the District’s right to operate and maintain the wastewater treatment plant. See “THE DISTRICT – Wastewater Facilities.”

**Purpose of the Bonds.** The Bonds are being issued to provide funds to:

- (i) finance improvements to the District’s wastewater treatment plant and other capital improvements, as further described herein;
- (ii) provide a debt service reserve for the Bonds [through the purchase of a reserve surety]; and
- (iii) pay the costs of issuing the Bonds.

See “FINANCING PLAN.”

**Security for the Bonds.** The Bonds are payable from and secured by “Net Revenues” (as defined under “SECURITY FOR THE BONDS – Installment Payments; Application of District Revenues”) of the District. The District is obligated to make payments of Net Revenues to the Authority under the Installment Sale Agreement (the “Installment Payments”), and the Authority is, in turn, required under the Indenture to use the Installment Payments to pay interest on and principal of the Bonds. See “SECURITY FOR THE BONDS – Installment Payments; Application of District Revenues.”

**Rate Covenant.** In the Installment Sale Agreement, the District is also obligated under a rate covenant to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the District during each Bond Year as described under the heading entitled “SECURITY FOR THE BONDS – Rate Covenant.”

[**Municipal Bond Insurance.** Concurrently with the issuance of the Bonds, \_\_\_\_\_ (the “Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Insurance Policy”). The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy attached as APPENDIX G to this Official Statement.]

[See “MUNICIPAL BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”]

**Debt Service Reserve [Surety].** The Indenture establishes a Reserve Account of the Bond Fund as a debt service reserve for the Bonds, which will be funded through the deposit of [a debt service reserve insurance policy (the “Reserve Policy”) to be issued by the Insurer on the Closing Date] in an amount equal to the Reserve Requirement for the Bonds. See “SECURITY FOR THE BONDS – Reserve Account.”

**Existing Parity Obligations of the District.** The Bonds will be secured by Net Revenues on a parity with the following outstanding obligations of the District (together, the “Existing Parity Obligations”):

- The District’s loan dated August 15, 2011 from the State of California (State Water Resources Control Board) (the “SRF Loan”), currently outstanding in the principal amount of \$1,914,673; and
- the District’s loan from City National Bank in the amount of \$2,080,666 (the “CNB Loan”), which CNB Loan financed certain capital improvements to the wastewater system.

The District may prepay the CNB Loan on or after the date of delivery of the Bonds. The District may issue or incur additional obligations and bonds on a parity with or subordinate to the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See “SECURITY FOR THE BONDS – Parity Obligations; Issuance by District of Additional Debt.” The District will have no other outstanding debt payable on a parity or senior basis with the Bonds on their delivery date.

**Redemption.** The Bonds are subject to optional redemption and mandatory sinking fund redemption before maturity. See “THE BONDS – Redemption.”

**Form of Bonds; Book-Entry Only.** The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – General Provisions” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Risks of Investment.** An investment in the Bonds involves risk. The Installment Payments are payable from and secured primarily by the Net Revenues of the District. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds. For a discussion of some of the risks associated with the purchase of the Bonds, see “BOND OWNERS’ RISKS.”

**Continuing Disclosure.** The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year ending June 30), commencing March 31, 2018, with the report for the fiscal year ending June 30, 2017, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended. See “CONTINUING DISCLOSURE” and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

**Limited Obligations.** The Bonds are special, limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues (consisting principally of Installment Payments received from the District). Neither the full faith and credit of the Authority nor its members (including the District) is pledged for the payment of the Bonds and no tax or other source of funds other than the Revenues is pledged to pay the Bonds. The Bonds do not constitute a debt, liability or obligation of the Authority or any member of the Authority (including the District) in violation of any constitutional or statutory debt limitation or for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power. The obligation of the District to pay Installment Payments under the Installment Sale Agreement is secured solely by the Net Revenues of the District. The full faith and credit of the District is not pledged for the payment of the Installment Payments and no tax or other source of funds other than the Net Revenues is pledged to pay the Installment Payments. The Installment Payments do not constitute a debt, liability or obligation of the District in violation of any constitutional or statutory debt limitation.

## FINANCING PLAN

### Wastewater Project

The Bonds are being issued primarily to finance capital improvements to the District’s wastewater treatment plant and other capital improvements to the District’s facilities (the “Wastewater Project”). The Wastewater Project will include needed upgrades and rehabilitation of the District’s infrastructure to address new discharge regulations, eliminate peak wet weather overflows, and to improve treatment plant performance and reliability. The Wastewater Project will include new screenings and grit removal, refurbishing treatment towers and pumps, improving flow storage to minimize peak flowrates, and replacement of effluent filters. The District intends to use a portion of the proceeds of the Bonds to finance a portion of the capital improvements included in the District’s Capital Plan over the next five fiscal years. See “THE DISTRICT – Future Capital Improvements.”

Under the Installment Sale Agreement, the Bonds may also be used to finance any other capital project of direct benefit to the District’s wastewater system.

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Bonds are as follows:

**Sources:**

Principal Amount of Bonds  
*Plus* Net Original Issue Premium  
*TOTAL ESTIMATED SOURCES*

**Uses:**

Deposit to Project Fund<sup>(1)</sup>  
 [Deposit into the Reserve Account]  
 Costs of Issuance<sup>(2)</sup>  
 Underwriter’s Discount  
*TOTAL ESTIMATED USES*

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<sup>(1)</sup> To be used for the Wastewater Project. See “Wastewater Project.”

<sup>(2)</sup> Represents funds to be used to pay costs of issuance, which include fees of Bond Counsel, Disclosure Counsel, Financial Advisor, Trustee, and rating agencies; [premiums for the Bond Insurance Policy and Reserve Policy;] printing costs; and other miscellaneous expenses.

**Debt Service Schedule**

Scheduled debt service on the Bonds and the Existing Parity Obligations is shown in the following table, assuming no optional redemption or prepayment occurs prior to the stated maturity of the Bonds or the Existing Parity Obligations.

<b>Debt Service Schedule</b>					
<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Bonds Debt Service</b>	<b>Debt Service on Existing Parity Obligations</b>	<b>Total Debt Service</b>
Total					



## THE BONDS

*This section provides summaries of the Bonds and certain provisions of the Indenture. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a more complete summary of the Indenture and the Installment Sale Agreement.*

### Authority for Issuance

The Bonds are being issued under the Bond Law and resolutions adopted by the Authority Board on March \_\_, 2017 and the District Board on \_\_\_\_\_, 2017.

### General Provisions

***Bond Terms.*** The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

***Payments of Principal and Interest.*** Principal of the Bonds will be payable in accordance with the maturity schedule shown on the inside of the front cover of this Official Statement, subject to any optional or mandatory sinking fund redemptions prior to maturity (see “Redemption” below). Interest on the Bonds will be payable on April 1 and October 1 in each year, commencing on October 1, 2017 (each an “Interest Payment Date”). Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

While the Bonds are subject to the book-entry system, the principal and interest with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

### Redemption

***Optional Redemption from any Source of Available Funds.*** The Bonds maturing on or before April 1, 2027, are not subject to optional redemption prior to their respective stated maturity dates.

The Bonds maturing on or after April 1, 2028, are subject to redemption in whole, or in part at the Written Request of the Authority, among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after April 1, 2027, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

***Mandatory Sinking Fund Redemption.*** The Bonds maturing on April 1, 20\_\_ (the “Term Bond”) are also subject to redemption, by lot, on April 1 in each of the years as set forth in the following table, from deposits made for such purpose under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may

be purchased in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the Term Bonds have been redeemed through optional redemption as described above, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority.

**Term Bond Maturing April 1, 20\_\_**

<b>Sinking Fund Redemption Date <u>(April 1)</u></b>	<b>Principal Amount To Be <u>Redeemed</u></b>
--	---

(Maturity)

In lieu of redemption of the Term Bonds as described above, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any 12-month period ending on April 1 in any year will be credited towards and will reduce the par amount of such Term Bonds required to be redeemed through mandatory sinking fund redemption on the next succeeding April 1.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all the Bonds of a single maturity, the Trustee will select the Bonds of that maturity to be redeemed by lot in any manner that the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate bond.

***Notice of Redemption.*** The Trustee will mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories, and will be filed electronically with the Municipal Securities Rulemaking Board or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission.

Neither the failure to receive any redemption notice nor any defect therein will affect the sufficiency of the proceedings for redemption of the Bonds or the cessation of accrual of interest from and after the redemption date.

***Rescission of Redemption Notice.*** The Authority has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

***Effect of Redemption.*** If notice of redemption has been duly given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption

on, including any applicable premium, the Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in the redemption notice, then the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, those Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## **SECURITY FOR THE BONDS**

This section provides summaries of the security for the Bonds and certain provisions of the Installment Sale Agreement and the Indenture. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a more complete summary of the Installment Sale Agreement and the Indenture.

### **Revenues; Pledge of Revenues**

***Pledge of Revenues and Other Amounts.*** Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds and in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts held under the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

“Revenues” means

(a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source, but excluding any Additional Payments), prepayments, insurance proceeds, condemnation proceeds, and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture.

***Assignment to Trustee.*** Under the Indenture, the Authority will irrevocably transfer, assign and set over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority’s rights to Additional Payments, release and indemnification by the District, and the payment of attorneys’ fees and expenses under the Installment Sale Agreement), including but not limited to all of the Authority’s rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and must, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Installment Sale Agreement.

### **Installment Payments; Application of District Revenues**

***Installment Payments.*** Under the Installment Sale Agreement, the District will irrevocably pledge, charge and assign all the Net Revenues (defined below) of the District and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture to the punctual payment of the Installment Payments. This pledge, charge and assignment constitutes a lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale

Agreement, on parity with the pledge and lien that secures any “Parity Obligations” (as defined under the heading entitled “Parity Obligations; Issuance by District of Additional Debt” below).

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues of the District received during such period minus the amount required to pay all Operation and Maintenance Costs of the District becoming payable during such period.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the wastewater system (as further defined in Appendix A, the “Wastewater Enterprise”) or otherwise arising from the Wastewater Enterprise, including but not limited to:

- (a) all amounts levied by the District as a fee for connecting to the Wastewater Enterprise, as such fee is established for time to time under the applicable laws of the State of California,
- (b) all income, rents, rates, fees, capital improvement fees, charges and other moneys derived from the services and facilities furnished or supplied through the facilities of the Wastewater Enterprise,
- (c) ad valorem property taxes allocated to the District (but as provided below, not including ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise),
- (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater Enterprise,
- (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater Enterprise as permitted hereunder, and
- (f) amounts transferred into the Wastewater Enterprise Fund from a Rate Stabilization Fund.

The term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any ad valorem property taxes levied to pay any general obligation bond indebtedness of the District with respect to the Wastewater Enterprise, (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District, and (iv) amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund during a fiscal year, but only to the extent that any amounts transferred from the Wastewater Enterprise Fund into the Rate Stabilization Fund were included in Gross Revenues for that fiscal year.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Wastewater Enterprise, including but not limited to:

- (a) costs of utilities, including the costs of electricity and other forms of energy supplied to the Wastewater Enterprise,
- (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and
- (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater Enterprise, including insurance and other costs described in the Installment Sale Agreement.

“Operation and Maintenance Costs” do not include

- (i) debt service payable on obligations incurred by the District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments and any Parity Obligations,
- (ii) depreciation, replacement and obsolescence charges or reserves therefor, and
- (iii) capital expenditures (other than as set forth in paragraph (b) above), and
- (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

***Installment Payment Date.*** Under the Installment Sale Agreement, the District is required to make each Installment Payment with the Trustee by the fifth Business Day immediately preceding each Interest Payment Date on the Bonds.

***Application of District Revenues.*** Under the Installment Sale Agreement, the District is required to deposit all of the Gross Revenues in the Wastewater Enterprise Fund (which has been established and is held and maintained by the District) immediately upon receipt.

The District will apply amounts in the Wastewater Enterprise Fund in accordance with the Installment Sale Agreement and any Parity Obligations Documents (for all purposes in this Official Statement, as such are defined in the Indenture), and will apply amounts on deposit in the Wastewater Enterprise Fund to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (ii) the Installment Payments and all payments of principal of and interest on Parity Obligations;
- (iii) to the Trustee the amount of any deficiency in the Reserve Account established for the Bonds (including without limitations amounts due to the Insurer as provider of the Reserve Policy) and in any reserve fund established for Parity Obligations, the notice of which deficiency has been given to the District in accordance with the Indenture and the related Parity Obligations Documents, respectively;
- (iv) any other payments required to comply with the provisions of the Installment Sale Agreement and any Parity Obligations Documents; and
- (v) any other purposes authorized under the Installment Sale Agreement.

***No Preference or Priority.*** Under the Installment Sale Agreement, payment of the Installment Payments and the principal of and interest on Parity Obligations will be made without preference or priority among the Installment Payments and such Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater Enterprise Fund is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on Parity Obligations, such payments will be made on a pro rata basis.

***Other Uses of Gross Revenues Permitted.*** Under the Installment Sale Agreement the District will manage, conserve and apply the Gross Revenues on deposit in the Wastewater Enterprise Fund in such a manner that all deposits required to be made as described above will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Wastewater Enterprise Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Wastewater Enterprise,

(iii) the prepayment of any other obligations of the District relating to the Wastewater Enterprise, or (iv) any other lawful purposes of the District.

***Events of Default; Remedies on Default.*** For a description of events of default and remedies on default contained in the Installment Sale Agreement, see “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Events of Default” and “– Remedies on Default.”

### **Allocation of Revenues by Trustee**

***Transfers from the Bond Fund.*** Under the Indenture, on or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts the following amounts in the following order of priority:

(a) ***Deposit to Interest Account.*** The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) ***Deposit to Principal Account.*** The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on each April 1, including the aggregate principal amount of the Term Bonds (if any) that are subject to mandatory sinking fund redemption on that April 1.

(c) ***Deposit to Reserve Account.*** The Trustee will deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement, [including, without limitation amounts required to reimburse the Insurer for any amounts drawn under the Reserve Policy].

***Application of Interest Account.*** All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

***Application of Principal Account.*** All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds on their respective maturity dates, and the principal amount of the Term Bonds (if any) that are subject to mandatory sinking fund redemption on such April 1.

### **Reserve Account**

***General.*** Under the Indenture, a Reserve Account of the Bond Fund has been established for the Bonds (the “Reserve Account”), and is held in trust by the Trustee. [The Authority will satisfy the Reserve Requirement for the Bonds through the deposit of the Reserve Policy, which will be issued by \_\_\_\_\_ on the Closing Date in an amount equal to the Reserve Requirement. See “MUNICIPAL BOND INSURANCE” for a description of \_\_\_\_\_.]

***Reserve Requirement.*** The “Reserve Requirement” is defined in the Indenture, as of the date of calculation by the Authority or District, as the least of the following:

- (i) Maximum Annual Debt Service (as defined in the Indenture) on the Bonds (excluding from the calculation Governmental Loans and Parity Obligations),
- (ii) 10% of the total of the proceeds of the Bonds (excluding from the calculation Governmental Loans and Parity Obligations), and

(iii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation Governmental Loans and Parity Obligations).

As of the Closing Date, the Reserve Requirement will be \$\_\_\_\_\_.

***Application of Reserve Account Generally.*** All amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of

(i) paying principal of or interest on the Bonds, including the principal amount of any Term Bonds subject to mandatory sinking fund redemption, when due and payable to the extent that moneys deposited in the Interest Account or Principal Account are not sufficient for such purpose, and

(ii) making the final payments of principal of and interest on the Bonds.

If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee will apply such amounts first, to the payment of interest and second, to the payment of principal. On the date on which all Bonds are retired under the Indenture or provision is made therefor under the Indenture, after payment of any amounts then owed to the Trustee, all moneys then on deposit in the Reserve Account will be withdrawn by the Trustee and paid to the District as a refund of overpaid Installment Payments.

See APPENDIX A for additional details on disbursements of cash, if any, on deposit in the Reserve Account.

***[Provisions Relating to Reserve Policy.***

***The Reserve Policy.***

See APPENDIX A for additional provisions regarding the Reserve Policy.]

**Installment Payments as Special Obligation of the District; Obligations Absolute**

***Special Limited Obligation.*** The District's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues of the District. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts. No other funds or property of the District are liable for the payment of the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement.

***Absolute and Unconditional Obligations.*** The obligations of the District to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the District or otherwise with respect to the Wastewater Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee.

***No Suspension of Payments or Termination of Installment Sale Agreement.*** Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement are fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts

or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State of California or any political subdivision of either thereof, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

### **Rate Stabilization Fund**

The District has the right at any time to establish a fund to be held by it and administered in accordance with the Indenture, to be known as the “Rate Stabilization Fund,” for the purpose of stabilizing the rates and charges imposed by the District. From time to time the District may deposit amounts in the Rate Stabilization Fund from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien that secures the Bonds and any Parity Obligations, as the District may determine. The District may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Enterprise Fund in any Fiscal Year for the purpose of paying Annual Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Enterprise Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Wastewater Enterprise Fund. Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. All interest or other earnings on deposits in a Rate Stabilization Fund will be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Enterprise Fund. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District. The District does not currently maintain any funds in a Rate Stabilization Fund.

### **Rate Covenant**

***Covenant Regarding Net Revenues.*** Under the Installment Sale Agreement, the District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year that are sufficient, after making allowances for contingencies and errors in estimates, to yield Net Revenues that are at least equal to 125% of the amount described in the clauses (ii) and (iii) under “– Covenant Regarding Gross Revenues” below for such Fiscal Year.

***Covenant Regarding Gross Revenues.*** Under the Installment Sale Agreement, the District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year.
- (ii) All Installment Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or the principal of and interest on such Parity Obligations are payable from the proceeds of the Bonds or such Parity Obligations, as applicable, or from any source of legally available funds of the District (other than the Gross Revenues of the Wastewater Enterprise) that have been deposited with the Trustee for such purpose before the beginning of that Fiscal Year.



(iii) All amounts, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement, [including, without limitation, any Policy Costs (as defined in the Indenture) due to the Insurer, as provider of the Reserve Policy].

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year, except to the extent other sources of funds are reserved or encumbered therefore.

### **Parity Obligations; Issuance by District of Additional Debt**

**Existing Parity Obligations.** The Bonds will be secured by Net Revenues on a parity with the District's Existing Parity Obligations. See "INTRODUCTION – Existing Parity Obligations of the District." The District may prepay the CNB Loan on or after the date of delivery of the Bonds.

**Superior and Subordinate Obligations.** Under the Installment Sale Agreement, the District may not issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments.

Under the Installment Sale Agreement, the District may issue, enter into or incur:

- (a) Parity Obligations, in accordance with the conditions described below, or
- (b) obligations that are either unsecured or which are secured by an interest in the Net Revenues that is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

**Conditions for Issuance of Parity Obligations.** Under the Installment Sale Agreement, except for obligations incurred to prepay or discharge the Installment Payments or any Parity Obligations, the District may not issue or incur any Parity Obligations during the Term of the Installment Sale Agreement unless all the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing.
- (b) The amount of Net Revenues, excluding connection fees and transfers from the Rate Stabilization Fund, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available or for any more recent consecutive 12-month period selected by the District, in either case verified by an Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus at the option of the District any Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service coming due and payable in the current or any future Bond Year with respect to the Bonds and all Parity Debt then outstanding (including the Parity Debt then proposed to be issued).

If the Parity Obligations are being issued solely to refund outstanding Parity Obligations, and the resulting Annual Debt Service for each Bond Year is less than the Annual Debt Service for each Bond Year prior to the issuance of the refunding Parity Obligations, the District need not comply with the provisions described in paragraphs (a) and (b) above.

The Parity Obligations may be, but are not required to be, in the form of Supplemental Agreements, and may, but are not required to, secure the payment of debt service on Bonds.

"Parity Obligations" means

- (i) the District's obligation to pay debt service on the Existing Parity Obligations,
- (ii) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with the Installment Sale Agreement, and
- (iii) any other Governmental Loan that is treated as a Parity Obligation under the Installment Sale Agreement.

“Additional Revenues” means

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater Enterprise which has been adopted prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the District, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the District.

***Conditions for Entering Into Governmental Loans.***

(a) The District may borrow money from a Governmental Agency and incur a Governmental Loan to finance improvements to the Wastewater Enterprise. A Governmental Loan may be treated as a Parity Obligation for purposes of the Installment Sale Agreement, so long as the District complies with subsections (a) and (b) under the conditions for issuance of Parity Obligations described above before incurring the Governmental Loan.

(b) (i) A Governmental Agency will not be entitled to be paid from monies then on hand in the Reserve Account [(or amounts available to be drawn under the Reserve Policy)] if the Net Revenues are ever insufficient to make a timely payment on any Governmental Loan, and (ii) the District may not make a payment on any Governmental Loan (except as expressly described in subsection (c) below) to the extent it would have the effect of causing the District to fail to make a timely payment on the Bonds.

(c) If Net Revenues are ever insufficient to pay the full amount of Installment Payments and other Parity Obligations then Outstanding and such Governmental Loan, the District will make payments on the Installment Payments and other Parity Obligations and such Governmental Loan on a pro rata basis.

“***Governmental Agency.***” The term “Governmental Loan” is defined in the Indenture as any loan made by a “Governmental Agency” (defined as the State, and the United States of America, acting through any of its agencies, to the extent that the State or such agency has loaned money to the District for the Wastewater Enterprise) to the District which is secured by a pledge of Net Revenues and incurred by the District to finance improvements to the Wastewater Enterprise pursuant to the Installment Sale Agreement.

### **Proceeds of Insurance, Sale or Condemnation Awards**

**Insurance.** Under the Installment Sale Agreement, the District must at all times maintain with responsible insurers all such insurance on the Wastewater Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater Enterprise. The District will apply any amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise to repair or rebuild such damaged or destroyed portion of the Wastewater Enterprise.

The District must also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Authority, the Trustee and the Owners of the Bonds.

Any policy of insurance required under this provision may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

**Sale of the Wastewater Enterprise.** Except as described below, the District will covenant in the Installment Sale Agreement that the Wastewater Enterprise will not be encumbered, sold, leased, pledged, have any charge placed thereon, or otherwise be disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments or the principal of or interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of the Installment Sale Agreement or any Parity Obligations Documents.

The District may not enter into any agreement that impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

If any substantial part of the Wastewater Enterprise is sold, the payment therefor must be used for the acquisition or construction of improvements to the Wastewater Enterprise.

**Condemnation Awards.** Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, must be used for the acquisition or construction of improvements to the Wastewater Enterprise.

### **[MUNICIPAL BOND INSURANCE]**

#### **[Bond Insurance Policy]**

Concurrently with the issuance of the Bonds, \_\_\_\_\_ will issue its Insurance Policy for the Bonds. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as APPENDIX G to this Official Statement.]

*[Other disclosure to be added as necessary.]*

## THE DISTRICT

### General

The District is a special district that was formed under the Sanitary District Act of 1923 (California Health and Safety Code, Section 6400 et. seq.). It was incorporated in November 1950. The District provides wastewater treatment and disposal service to the City of Sausalito, and wastewater collection, treatment and disposal service to Marin City and other unincorporated areas within the District’s boundaries. The District also provides treatment and disposal service on a contract basis to Tamalpais Community Services District (or “TCSD”) and the National Park Service, and operates and maintains the City of Sausalito Pump Stations under contract. Treated wastewater is discharged into the deep waters of the central San Francisco Bay. The District serves more than 18,000 customers.

The District’s headquarters and wastewater treatment plant are located on land owned by the National Park Service. The District operates the wastewater treatment plant under a right-of-way easement agreement under which the District provides wastewater treatment at no cost to the National Park Service in exchange for the District’s right to operate and maintain the wastewater treatment plant. See “Wastewater Facilities” below.

The District is located in Marin County, which itself generally comprises the northern portion of the San Francisco Bay Area. For certain background and demographic information regarding the region in and around the District’s service area, see “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF SAUSALITO AND MARIN CITY.”

### District Governance and Management

**Board of Directors.** The District is governed by an elected five-member Board of Directors (the “District Board”), and the District’s operations are approved by the District Board.

District elections are held in November on odd-numbered years. Elections are consolidated with the Marin County Uniform District Election. Each District Board member is elected at large, for a four-year term. Terms are staggered, with two terms expiring in one odd-numbered year, and three terms expiring the following odd-numbered year. Candidates for the District Board must be registered voters and must reside within the boundaries of Sausalito-Marin City Sanitary District. The District Board routinely meets on the first Monday or every month.

The current members of the District Board, the expiration dates of their terms of office and brief biographies are set forth below. *[Please review and edit as necessary.]*

<u>Board Member</u>	<u>Expiration of Term</u>
Dan J. Rheiner, <i>President</i>	2017
William F. H. Ring, <i>Vice President</i>	2019
Ann Arnott, <i>Director</i>	2017
Don Beers, <i>Director</i>	2019
James DeLano, <i>Director</i>	2017

**Dan J. Rheiner.** Mr. Rheiner was first appointed to the District Board in 2011 and was elected to the District Board in November 2013. Mr. Rheiner currently serves on the Capital Project and Construction committee and the Finance Insurance and Budget committee. Mr. Rheiner is a graduate of Trinity University with a degree in Business and Construction (1979) and an M.B.A. (1983), and is also a graduate of Pacific Coast Banking School (2009). Mr. Rheiner has over 29 years of banking and construction experience nationwide. From 2011-12, he was the President of the Citizens Advisory Review Board for Sausalito. Mr. Rheiner has been a resident of Sausalito for 10 years.

*William F. H. Ring.* Mr. Ring was appointed to the District Board in 2010. Mr. Ring graduated from the University of Tennessee with an M.S. in Engineering and from U.C. Berkeley with an M.B.A. Mr. Ring retired from SRI International as a Program Manager in the Systems Evaluation Division. He volunteers for the Sausalito Village and the Golden Gate Computer Society's School Support System. Mr. Ring served as trustee of the Marin/Sonoma Mosquito and Vector Control District, as Director of International Programs for Global Book Exchange, as Secretary of the Marin Sunrise Rotary Club, and as President, Secretary and Wizard of Waste of the Sausalito Sustainability Commission. Mr. Ring has been a resident of Sausalito for over 20 years.

*Ann Arnott.* Ms. Arnott was elected to the District Board in 2005, and was re-elected in 2013. Ms. Arnott is a graduate of Tufts University with a degree in Education, and of Bouve Boston School with a degree in Physical Education and Recreation. Ms. Arnott is a retired Office Manager of the Sausalito-Marin City Sanitary District, was a teacher for 18 years, executive director of the YWCA, and in the seventies, opened Soupcon, the first restaurant on Caledonia street. She currently serves as a Board Director of the Sausalito Woman's Club, the Sausalito Chamber and as Secretary of the Sausalito Art Festival Foundation. Ms. Arnott has been a resident of Sausalito for over 50 years.

*Don Beers.* Mr. Beers was elected to the District Board in 1987 and was last re-elected in [2015]. Mr. Beers graduated from U.C. Berkeley with a B.S. in Engineering and a M.S. in Mechanical Engineering. Mr. Beers retired from Chevron Corporation as Senior Product Consultant – Motor and Aviation Gasoline and special products. He is a member of the Society of Automotive Engineers and the ASTM (Testing and Standards Organization). Mr. Beers is a past President of the Sausalito Lions Club and of SIRS (Sons in Retirement). Mr. Beers has been a resident of Sausalito for over 70 years.

*James DeLano.* Dr. DeLano was elected to the District Board in 2013. He is a graduate of Yale University, with B.A. in Biology and M.D. degrees. Dr. DeLano did his residency training in Psychiatry at University of Pennsylvania. Dr. DeLano was a psychiatrist with the Permanente Medical Group for 27 years, and served as Chief of Psychiatry in Kaiser San Francisco Medical Center. Dr. DeLano is a past President of the Friends of the Sausalito Public Library and the Sausalito Lions Club. He was also a board member of the Sausalito Library Foundation. Dr. DeLano has been a resident of Sausalito since 2002.

**Management.** The General Manager, [who is appointed by the District Board,] oversees the District's staff and reports directly to the District Board. Brief biographies of staff responsible for management of the District are provided below:

*Jeffrey Kingston, General Manager.* Mr. Kingston joined the District in 2015 from Chabot Las Positas Community Colleges after 10 years as the Vice Chancellor/Executive Director of a capital improvement program and operations for two colleges with a budget of \$100M annually. Mr. Kingston was responsible for the planning, design, construction, operations and maintenance for the buildings and infrastructure of the campuses, which included: central utility plants, sanitary sewer lines, reclaimed water systems, water lines, storm water retention, and technology for operations. He brings years of experience in strategic planning, organizational development, budget preparation and labor negotiations. Mr. Kingston has a Masters in Civil Engineering and Management from the University of California, Berkeley; a Bachelor in Civil Engineering from the United States Military Academy, West Point; and a Masters of Business Administration in Finance from California State University, East Bay. He is certified as an Accredited Professional in Leadership in Energy and Environmental Design (LEED AP) by the U.S. Green Building Council for sustainability; a Project Management Professional (PMP) by the Project Management Institute; and a Chief Business Officer by the California Association of Business Officials.

*Helen Lei, Office Manager/Board Secretary.* Ms. Lei holds a Bachelor of Science degree in Business with double majors in Finance and Computer Information Systems from San Francisco State University. For the past 11 years she has held various positions including: Office Manager and Operations Manager, with an international commodity trading firm specializing in raw materials. Ms. Lei was responsible for the financing and accounting operations of the firm's headquarters and its four subsidiaries with a total annual budget of

\$200M. In 2014 Ms. Lei joined SMCS D as Office Manager and Board Secretary. She is responsible for all aspects of the District’s financial, human resources, administrative support, and information systems activities. She also serves the Board as the District Secretary.

*Kevin Rahman, P.E., Associate Engineer.* Mr. Rahman is a registered California Mechanical Engineer with 24 years of experience as a planning and project engineer, including 9 years of experience in wastewater at the District. He holds a Bachelor of Science degree in Mechanical Engineering from California State University Sacramento. He worked for five years at Bechtel Corporation on custom equipment procurement and process design. He also worked for Pacific Gas & Electric Co. as a planning engineer for gas system operations for 10 years. In this capacity he presented technical papers at the Pipeline Simulation Interest Group (PSIG) in Calgary, Canada and Hilton Head Island, South Carolina. Mr. Rahman manages a \$20 million 10-year capital improvements program at the District in addition to providing planning, design and operational support. He holds certifications for pipeline, manhole and lateral assessment programs through the National Association of Sewer Service Companies (NASSCO). He presented a technical report on pipeline rehabilitation at the Pipeline Users Group (PUG) Conference. Mr. Rahman has served as construction manager including all permitting and public outreach efforts for over 20 capital improvement projects at the District since 2007.

*Jorge Omar Arias-Montez, Operations Superintendent.* Mr. Arias holds a Grade IV Wastewater Treatment Operator from the State Water Resource Control Board, Grade II Environmental Compliance Inspector from CWEA, and a Grade IV Laboratory Analyst from CWEA. He holds both an MBA from San Francisco State University and a Bachelor of Science degree in Biochemistry from the California State University, Los Angeles. He has been involved overall in the operation and maintenance of the facility as well as its ancillary collections systems and the supervision of the laboratory and all NPDES permit compliance requirements. Mr. Arias-Montez has worked at the District for over 23 years and has been the Operations Superintendent since 2016.

## **Wastewater Facilities**

The District provides wastewater treatment and disposal service to the City of Sausalito, and wastewater collection, treatment and disposal service to Marin City and other unincorporated areas within the District’s boundaries. The District also provides treatment and disposal service on a contract basis to Tamalpais Community Services District and the National Park Service, and operates and maintains the City of Sausalito pump stations under contract. The District headquarters and the wastewater treatment plant are located at Fort Baker in Marin County, California. The District serves more than 18,000 customers.

The District’s facilities consist of a 1.8 million-gallon per day secondary wastewater treatment plant, seven sewer pump stations, and approximately ten miles of pipelines. The District also operates and maintains four pump stations for the City of Sausalito on a contract basis. *[Add information re: capacity of facilities?]*

In December 1952, the U.S. Department of the Army (the “DOA”) entered into a contract with the District to construct, operate and maintain a sewage treatment plant and discharge facilities over 1.2 acres in Fort Baker. The DOA agreed to grant the District an easement for the facilities and the District agreed to treat the sewage from Fort Baker. In February 1967, the easement was expanded from 1.2 acres to 5 acres to allow the District to expand the facilities to accommodate the existing and future civilian population served by the District, and the District was granted a 50-year easement. In March 1986, the National Parks Service became the successor in interest to the DOA with respect to the easement.

[As the easement is scheduled to expire in February 2017, the National Park Service and the District executed a Memorandum of Understanding in August 2016 (the “MOU”), while negotiating new agreement to allow the District to continue operating the wastewater system and provide service to its customers. While the new agreement has not been finalized, the parties expect the term of the new agreement to be at least 32 years, and may include an option to extend the term upon mutual agreement of the parties. The new agreement is also expected to describe conditions under which the agreement may be pre-terminated by the National Park Service,

although the District will not be required to cease operations or vacate the facilities until suitable replacement facilities have been acquired by the District and are in operation to serve District customers.] See “BOND OWNERS’ RISKS – Risks Related to Facilities and Operations.”

For additional information on the condition of the District’s facilities, see “THE DISTRICT – Future Capital Improvements.”

### Customer Base

The customer base of the District consists primarily of residential and non-residential properties. Residential properties are classified further into different customer classes: single-family, multi-family, and floating home. Rates in the incorporated area of the District’s service area (the “Service Area”) are different from rates in the unincorporated areas of the Service Area. See “THE DISTRICT – Wastewater Rates and Charges.”

The District also maintains wastewater service agreements with the City of Sausalito, National Park Service and TCSD. The agreements establish the terms and conditions related to the repair, operations and agency share costs of the wastewater collection system and treatment facility. See “– City of Sausalito,” “– National Park Service” and “– Tamalpais Community Services District” below.

**Historical Number of EDUs.** Table 1 below shows, for the District’s Service Area, the historical number of equivalent dwelling units (“EDU”) of the District by customer classification for the past five fiscal years. [An EDU is a service unit measured in relation to the characteristics of the average daily discharge produced by a typical single dwelling unit, which are (i) flow: 200 gallons per day, and (ii) strength: BOD – 200 mg/liter / TSS – 290 mg/liter.]

**Table 1**  
**Number of Wastewater EDUs**  
**by Customer Class**  
**Fiscal Years 2011-12 through 2015-16**

Customer classification	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16 % of Total
Residential						
Single-family	2,664	2,659	2,641	2,639	2,635	34
Multi-family	2,863	2,859	2,767	2,767	2,769	36
Floating home	437	432	398	397	397	5
Subtotal	5,964	5,950	5,806	5,803	5,801	76
Non-residential	2,155	2,039	1,937	1,952	1,879	24
Total <sup>(1)</sup>	8,119	7,989	7,743	7,755	7,680	100

<sup>(1)</sup> The decline in EDUs is due to the drought and an adjustment in the definition of EDU from 180 gallons per day to 200 gallons per day, which was effective in fiscal year 2013-14.

Source: Sausalito-Marin City Sanitary District.

**Historical Revenues.** The following table shows wastewater billings by type of customer for active wastewater accounts of the District for the past five fiscal years.

**Table 2**  
**Billings by Customer Class**  
**Fiscal Years 2011-12 through 2015-16**

Customer classification	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16 % of Total
<b>Residential<sup>(1)</sup></b>						
Single-family	\$1,499,828	\$1,720,224	\$1,938,249	\$1,991,621	\$2,071,553	26.47%
Multi-family	1,618,495	1,854,705	1,989,585	2,032,186	2,065,582	26.39
Floating home	246,027	279,504	289,346	281,076	272,739	3.49
Subtotal	3,364,350	3,854,433	4,217,180	4,304,883	4,409,874	56.35
<b>Non-residential<sup>(1)</sup></b>	1,213,579	1,323,179	1,428,072	1,528,156	1,573,391	20.10
<b>Service Contracts<sup>(2)</sup></b>						
City of Sausalito	66,973	86,821	129,114	203,622	160,998	2.06
TCSD	1,041,808	1,128,477	2,306,076	1,766,806	1,715,614	21.49
<b>Total</b>	<b>\$5,686,710</b>	<b>\$6,392,910</b>	<b>\$8,080,442</b>	<b>\$7,803,467</b>	<b>\$7,826,033</b>	<b>100.00%</b>

<sup>(1)</sup> Represents the amounts transmitted to the County assessor for collection on the property tax roll for the specified fiscal years. All rates and charges are collected on the tax roll. See "Billing Practices and Collection."

<sup>(2)</sup> The District's contract with the National Park Service is a right-of-way easement agreement under which the District provides wastewater treatment at no cost to the National Park Service in exchange for the District's right to operate and maintain the wastewater system. See "Wastewater Facilities" herein.

Source: Sausalito-Marin City Sanitary District.



**Largest Users.** The following table shows the largest users of the District based on billings for fiscal year 2015-16.

**Table 3  
Largest Users  
Fiscal Year 2015-16**

Customer	Type of Property	Fiscal Year 2015-16 Billings <sup>(1)</sup>	Percent of Total Service Revenue
TCSD	Government	\$1,681,770.00	
Marin Housing Authority	Residential	\$231,594.00	
Tishman Speyer Archstone-Smith Sausalito LP	Residential	\$156,816.00	
Ridgeway Marin LP	Residential	\$130,680.00	
City of Sausalito	Government	\$77,762.00	
Goodman Himv LLC	Hotel/Restaurant	\$67,381.72	
Sausalito Investments	Residential	\$65,340.00	
Bridgeway 558 Real Property LLC	Restaurant	\$61,242.32	
Marin Gateway Garp LLC	Commercial	\$57,492.12	
Bush Rudolph H Tr 75% Bush Rudolph H 25%	Restaurant	\$47,946.90	
Total Top Ten			
Other	Various		
Grand Total			100.00%

<sup>(1)</sup> Represents the amounts transmitted to the County assessor for collection on the fiscal year 2015-16 property tax roll. All rates and charges are collected on the tax roll. See "THE DISTRICT – Billing Practices and Collection" below.

Source: Sausalito-Marin City Sanitary District

**City of Sausalito.** The District has a long-standing agreement with the City of Sausalito to operate and maintain four sewer pump stations that are owned by the City. The agreement is ongoing and has no sunset date. Under the agreement, the District estimates the annual cost in the fiscal year budget. The District invoices the City on a quarterly basis for actual expenses incurred by the District, which includes equipment, supplies, labor, overhead and administrative expenses.

**National Park Service.** The District has a 50 year long-standing right-of-way easement agreement with the National Park Service. Under the agreement, the District agreed to provide wastewater treatment at no cost to the National Park Service in exchange for a right-of-way easement to operate and maintain the District's facilities on land owned by the National Park Service. The existing agreement is set to expire in February 2017, but the parties have executed a Memorandum of Understanding (MOU) agreeing to continue the relationship as the National Park Service facilities rely on the District to treat their wastewater. Both parties have agreed to the terms of the new agreement. The new agreement is complete and awaits signature by both parties.

**Tamalpais Community Services District.** In January 2013, the District and TCSD renewed a contract for wastewater conveyance and treatment services. The Agreement has a term of 30 years. Under the agreement, the District estimates the TCSD wastewater service charges by combining the percentage share of the projected expenses of the operation & maintenance and capital improvement from the annual fiscal year budget. TCSD pays the estimated wastewater services charges with four quarterly payments to the District. Following the fiscal year audit completion, the District completes a reconciliation of budget versus actual expenses for the year and invoices TCSD as either a credit or an additional expense, if over the estimated budget amount.

In the spring of 2016, a number of issues arose from the reconciliations and billing statements sent by the District to TCSD for fiscal years 2013-14, 2014-15, and 2015-16. [All of these issues have been resolved except for the additional expenses described below and TCSD paid the District \$\_\_\_\_\_ on \_\_\_\_\_.] Currently there is approximately \$100,000 of a reconciled additional expense due from TCSD for fiscal year 2013-14 charges of approximately \$2.3 million and approximately \$68,000 of reconciled additional expense due

from TCSD for fiscal year 2014-15 charges of approximately \$1.7 million. Additionally, there is approximately \$226,000 projected as an unreconciled additional expense due from TCSD for fiscal year 2015-16 charges of approximately \$1.8 million. The additional expense in each of these years is primarily due to TCSD's share of an in-kind expense for the wastewater treatment plant property lease discovered during the reconciliation process.

Based upon the 2013 Wastewater Treatment Services Agreement, TCSD is allowed to defer their share of the capital expenses for the next 10 years, amortized over 20 years. They have deferred their portion of the capital expenses for the past 3 years. As of June 30, 2016, the District estimates that TCSD [owes the] District approximately \$4.1 million of which \$2.2 million is from District loans for previous capital projects and \$1.9 million from deferrals for District cash funded capital projects. See Table 2 and Table 5.

### **Wastewater Rates and Charges**

**General.** The District transmits its rates and charges for the wastewater system to the County Tax Collector for inclusion on the County property tax roll. See "Billing Practices and Collection" below.

The principal consideration in designing rate schedules is to assure that the revenues of the District cover total system expenditures and allow for a surplus that is used for capital improvements.

Any increase in the District's wastewater rates is subject to both a (i) noticed public hearing under Proposition 218, at which a majority of written protests could disapprove of the proposed changes, and (ii) requirement, under section 6520.5 of the Health and Safety Code, that the District Board approve any rate increase by a two-thirds vote (requiring the affirmative votes of four of the District Board's five members).

**Current Rate Structure.** The District is responsible for charging its customers fair rates that cover its cost of service. In May 2014, the District commissioned a Sewer Service Charge Study (the "Rate Study"), for the purpose of, among other objectives, updating the District's rates to ensure that they generate sufficient revenue to fund the projected capital and operating and maintenance costs of the District. Based on the results of the Rate Study, and after a public hearing, the District adopted Ordinance No. 94 in July 2014, establishing new rates.

**Residential.** Historically, the District's residential rates were equal among its customer classes; single family, multi-family and floating homes were charged the same rate per dwelling unit. After the Rate Study, Ordinance No. 94 presented revised rates and charges result from three types of changes implemented by the District:

*First*, the District determined the amount of wastewater flow from different customer classes (single-family, multi-family, and floating home). The rate structure was changed to reflect those differences in flow. The result is that residential charges will more accurately reflect actual use of the wastewater system; customer classes that generate less wastewater will have lower bills.

*Second*, a revenue increase was made in view of the District's plans to allocate \$46 million to improve and upgrade its aging wastewater treatment plant and collection system. The District calculated an increase of 2% each year over the next five years is necessary to support the program.

*Third*, the District approved an increase in the collection system supplemental charge for its unincorporated area customers, including Marin City. The supplemental charge pays for the cost of collection system operation, maintenance and upgrades. The District approved annual charge adjustments to be phased in over the next five years from \$61 to \$78 per dwelling unit. This collection charge is not applicable to residents within the City of Sausalito, which has its own collection system.

Non-Residential. The sewer service charge for a non-residential customer is calculated individually based upon the volume and strength of the customer's sewage measured in EDUs multiplied by the annual sewer service charge rate in effect.

*Historical and Adopted Future Wastewater Rates.* The table below shows the rates approved by the District Board pursuant to Ordinance No. 94.

**Approved Wastewater Rates by EDU  
Fiscal Years 2014-15 through 2018-19**

<b>Customer Class</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Residential</b>					
Single Family	\$770	\$817	\$833	\$850	\$866
Multi-family	715	726	741	756	771
Floating Homes	708	687	705	722	736
<b>Non-Residential</b>	\$770	\$817	\$833	\$850	\$866
<b>Supplemental<sup>(1)</sup></b>					
Residential	\$61	\$66	\$71	\$76	\$78
Non-Residential	61	66	71	76	78

<sup>(1)</sup> The supplemental charge is to be added to the charges for unincorporated areas customers. This collection fee is not applicable to residents of the City of Sausalito, which has its own collection system.  
Source: Sausalito-Marín City Sanitary District.

**Comparative Wastewater Service Charges.** The following table shows the District's annual sewer service charges per EDU as compared with annual charges per EDU for surrounding communities.

**Table 4**  
**Comparative Annual Wastewater Charges per EDU**  
**Fiscal Year 2015-16**

Agency	Annual Sewer Charge Per EDU
Sanitary District No. 5 (Belvedere)	1985
Tamalpais Community Services District	1111
Sanitary District No. 5 (Tiburon)	1034
Ross Valley Sanitary District (Larkspur – Single Family & Commercial)	1012
Sausalito Marin City Sanitary District (Unincorporated Area)	883
<b>Sausalito Marin City Sanitary District (Incorporated Area)</b>	<b>817*</b>
Almonte Sanitary District	800
San Rafael Sanitary District	[788]
Ross Valley Service Area (Ross Valley – Single Family & Commercial)	743
Las Gallinas Valley Sanitary District	734
Novato Sanitary District	552
Sanitary District 2 (Corte Madera)	500
Richardson Bay Sanitary District	246
City of Mill Valley	_____

\* Does not include fees charged by the City of Sausalito for the collection of wastewater, which was \$\_\_\_\_\_ for fiscal year 2015-16.

Source: Sausalito-Marin City Sanitary District.

**Connection and Inspection Fees.** The District charges connection and inspection fees to provide revenue to acquire, construct, install and replace capital facilities and other assets required for the District's wastewater disposal system. Payment of the connection charge allows discharges of wastewater to be made from the respective parcel in an amount that corresponds to the amount of the charge established by the District. No connection may be made to any public sewer, or to any sewer flowing into a public sewer within the District, until the applicable sewer connection charge has been paid to the District. The connection charge is in addition to charges for permits, inspections or other charges of the District and is paid at the time the application for a sewer connection permit is filed. The current base charges for residential and non-residential connections are \$\_6130. Connection and inspection fees have not been a significant source of operating revenues for the District. See "Historical Operating Results" herein.

### **Ad Valorem Tax Revenues**

In fiscal year 2015-16, the District received approximately \$550,000 in ad valorem tax revenue. The ad valorem tax revenue represents a portion of the 1% ad valorem property taxes assessed and collected by the County of Marin in the District's Service Area. See "Historical Operating Results" below for historical information on the District's ad valorem tax revenues.

Pursuant to Article XIII A of the California Constitution, the County levies a 1% ad valorem property tax on behalf of all taxing agencies in the County and, in addition, the ad valorem property tax for payment of the general obligation bonds of school districts and other governmental entities in the County. The proceeds of the 1% ad valorem property taxes are apportioned on the basis of a formula established by State law. The assessed valuation of property is established by the County Assessor, except for public utility property, which is assessed

by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed the lesser of 2% per year or the change in the consumer price index, or a reduction in the consumer price index or comparable local data for the area or may be reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The full cash value may also be adjusted due to change of ownership or new construction. The County Assessor may also temporarily reduce assessed values of property within the County pursuant to Proposition 8, a voter-approved Constitutional amendment adopted in November 1978, pursuant to which property owners are entitled to the lower of the fair market value of their property as of January 1 or the assessed value as determined at the time of purchase or construction, and increased by no more than 2% annually. See "BOND OWNERS' RISKS – Risk of Ad Valorem Property Tax Diversion" herein.

### **Billing Practices and Collection**

***Billing Procedures.*** Each year the District transmits its sewer service charges to the County Treasurer-Tax Collector for collection on the County property tax roll. The property tax billings are due in two equal installments on December 10 and April 10. [The District generally receives the first and second installments from the County in December and April, respectively, with final reconciliation payments in June and July.]

***Delinquent Charges.*** The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each taxing entity receives 100% of the taxes and assessments levied, without regard to delinquencies.

The District's wastewater rates and charges are currently covered under the County's Teeter Plan. *However, there can be no assurance that the County will not choose to discontinue the Teeter Plan in the future, or modify its Teeter Plan to exclude or limit the coverage for sanitary districts, or choose to remove the District from its Teeter Plan coverage. [At the date of this Official Statement, no such discontinuation or removal is under consideration.]*

***No Information Regarding Delinquencies.*** No information is available from the County regarding actual delinquency rates. All enforcement and collection is currently handled by the County. If the full amount of any sewer service charges is, for any reason, not collected by the County, the sewer service charges, or the portion not appearing on the tax roll, will be collected by the District by direct billing of the property owner.

### **Outstanding District Obligations**

***Existing Parity Debt of the District.*** The Bonds will be secured by Net Revenues of the District on a parity with the Existing Parity Obligations. The District will have no other outstanding obligations that constitute Parity Debt on the date of issuance of the Bonds. The District may prepay the CNB Loan on or after the date of delivery of the Bonds.

***Civil Penalties.*** The District is subject to certain existing litigation settlements that resulted in civil penalties. See "THE DISTRICT – Sewage Overflow Incidents, Regulatory Actions and District Compliance" above. Any civil penalties are characterized by the District as Operations and Maintenance Costs, which are payable prior to debt service on the Bonds. *[Does the District have any remaining liability to River Watch? Any liabilities due under EPA Orders?]*

### **Employees and Benefits**

The District currently employs 13 full-time employees. The District also has an established intern program, under which two positions are funded as temporary part-time (non-benefited).

The District has an existing Memorandum of Understanding (“MOU”) with the Operating Engineers Local Union No. 3 General Unit, which expires in fiscal year 2016-17, and an MOU with the Operating Engineers Local Union No. 3 Professional/Supervisor Unit, which also expires in fiscal year 2016-17. [The District considers its relationship with its employees to be good.]

The District provides retirement benefits and other post employment benefits for its employees. See Notes (8), (9) and (10) in the District’s audited financial statements, attached hereto as APPENDIX B.

### **Investments**

The District’s money is currently held in the investments shown in the following table. It makes its investments in accordance with the California Government Code, and according to financial policies adopted in September 2016. For information regarding the District’s investments as of June 30, 2016, see Note (3) of the District’s audited financial statements, which are attached as APPENDIX B.

Investment Type	Fair Value at June 30, 2016
<b>Cash:</b>	
Cash in banks	\$87,109
Petty cash	300
Undeposited funds	32,233
Money market	<u>780,210</u>
	\$899,852
<b>Investments:</b>	
Local Agency Investment Fund	\$10,462,979
<b>Total:</b>	<b>\$11,362,831</b>

### Insurance

The District is exposed to risks of loss from property, liability, and workers' compensation. The District mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority ("CSRMA"). Risk sharing pools provide general liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of \$15,500,000 and \$750,000 for general liability and workers' compensation, respectively.

See Note (7) of the District's audited financial statements, which are attached as APPENDIX B to this Official Statement.

### Financial Statements

A copy of the most recent audited financial statements of the District for the fiscal year ended June 30, 2016, prepared by Chavan & Associates, LLP (the "Auditor"), is included in the District's audited financial statements attached to this Official Statement as APPENDIX B.

*The District has neither requested nor obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.*

### Balance Sheet

The following table shows historical balance sheets for the District for fiscal years ended June 30, 2012 through 2016, which are based on the District's audited financial statements. *[Please review.]*

**Table 5**  
**Historical Balance Sheet**  
**(for Fiscal Years Ended June 30)**

	2012	2013	2014	2015	2016
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and investments	\$4,888,012	\$7,019,362	\$7,363,283	\$9,218,762	11,215,025
Accounts receivable	1,701,640	193,130	123,038	93,031	66,076
Interest receivable	4,127	3,805	3,557	-	-
Prepaid expenses	16,325	15,050	15,198	15,196	13,001
Total Current Assets	<u>6,610,104</u>	<u>7,231,347</u>	<u>7,505,076</u>	<u>9,326,989</u>	<u>11,294,102</u>
<b>Noncurrent Assets:</b>					
Restricted cash and investments	-	-	147,806	147,806	147,806
TCSD capital deferral <sup>(1)</sup>	-	-	-	-	4,096,294
Other assets	27,516	4,814	3,910	2,988	-
Capital assets, net of acc. dep.	27,236,802	28,519,605	29,978,467	30,241,156	30,463,640
Total Noncurrent Assets	<u>27,264,318</u>	<u>28,524,423</u>	<u>30,130,183</u>	<u>30,391,950</u>	<u>34,707,740</u>
Total Assets	<u>33,874,422</u>	<u>35,755,766</u>	<u>37,635,259</u>	<u>39,718,939</u>	<u>46,001,842</u>
<b>Deferred Outflows of Resources</b>					
Pension Contributions	-	-	-	276,804	470,870
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	958,212	372,485	67,950	116,500	131,322
Other liabilities	84,874	77,016	3,730	2,782	-
Current portion of long-term oblig.	172,937	212,363	260,899	263,975	276,110
Total Current Liabilities	<u>1,216,023</u>	<u>661,864</u>	<u>332,579</u>	<u>383,257</u>	<u>407,432</u>
<b>Noncurrent Liabilities:</b>					
Long-term oblig., net current portion	4,182,469	4,860,560	4,707,955	6,224,079	6,053,271
Total Noncurrent Liabilities	<u>4,182,469</u>	<u>4,860,560</u>	<u>4,707,955</u>	<u>6,224,079</u>	<u>6,053,271</u>
Total Liabilities	<u>5,398,482</u>	<u>5,522,424</u>	<u>5,040,534</u>	<u>6,607,336</u>	<u>6,460,703</u>
<b>Deferred Inflows of Resources</b>					
Pension Adjustments	-	-	-	591,235	425,082
<b>Net Position</b>					
Net Investment in Capital Assets	23,071,854	23,864,718	25,533,500	26,018,391	26,468,301
Restricted for Debt Service	-	-	147,806	147,806	147,806
Unrestricted	5,404,076	6,368,624	6,913,419	6,630,975	12,970,820
Total Net Position	<u>\$28,475,930</u>	<u>\$30,233,342</u>	<u>\$32,594,725</u>	<u>\$32,797,172</u>	<u>\$39,586,927</u>

<sup>(1)</sup> As of June 30, 2016, TCSD owed the District \$4,096,294. A majority of the note receivable, \$3,559,279, was owed in prior periods but had not been recorded by the District. Therefore, this amount has been treated as a prior period adjustment in the Statement of Revenues, Expenses and Changes in Net Position as shown in the District's audited financial statements, attached as APPENDIX B. See also Table 6 below.

Source: Sausalito-Marín City Sanitary District audited financial statements for the fiscal years 2011-12 through 2015-16.



## Historical Operating Results

The following table is a summary of revenues, expenditures and debt service coverage of the District for the fiscal years ended June 30, 2012 through 2016 based on the District's audited financial statements.

**Table 6**  
**Historical Revenues and Expenditures**  
**Fiscal Years 2011-12 through 2015-16**  
**(for Fiscal Years Ended June 30)**

	2012	2013	2014 <sup>(1)</sup>	2015	2016
<b>Operating Revenues:</b>					
Service charges	\$4,382,231	\$4,968,933	\$5,420,051	\$5,812,293	\$5,931,612
TCS D service contract	1,192,334	1,023,400	1,143,160	1,058,042	1,715,614
Marin City sewer fees	198,818	186,144	214,835	–	–
Sausalito service contract <sup>(1)</sup>	–	–	129,114	203,621	160,998
Other operating revenues	67,478	92,246	4,703	2,946	4,202
Total operating revenues	5,840,861	6,270,723	6,911,863	7,076,902	7,812,426
<b>Operating Expenses:<sup>(1)</sup></b>					
Salaries and benefits	1,787,219	2,208,609	1,817,713	1,843,977	1,756,486
Plant operations	505,491	501,785	755,493	778,988	564,687
Repairs and maintenance	177,965	184,561	219,894	213,817	266,534
Permit testing and monitoring	84,911	107,572	87,068	59,888	67,696
Depreciation and amortization	1,091,053	1,289,584	1,562,695	1,649,499	1,759,927
Utilities and telephone	235,910	240,149	11,332	11,620	282,379
General and administrative	327,859	366,889	438,696	348,097	328,178
Total operating expenses	4,210,408	4,899,149	4,892,891	4,905,886	5,025,887
<b>Operating Income (Loss)</b>	1,630,453	1,371,574	2,018,972	2,171,016	2,786,539
<b>Nonoperating Revenues (Expenses):</b>					
Interest and investment income	16,963	17,698	16,374	20,361	27,548
Interest expense	(109,140)	(148,019)	(159,148)	(146,866)	(141,643)
Loss on disposal of capital assets	–	–	(79,298)	(245,860)	–
Property taxes	492,244	516,159	558,207	543,580	551,902
Total nonoperating revenues (expenses)	400,067	385,838	336,135	171,215	437,807
Income (loss) before contributions	2,030,520	1,757,412	2,355,107	2,342,231	3,224,346
Capital contributions - connection fees <sup>(1)</sup>	–	–	6,280	6,130	6,130
Change in net position	2,030,520	1,757,412	2,361,387	2,348,361	3,230,476
Beginning net position	26,445,410	28,475,930	30,233,338	32,594,725	32,797,172
Prior period adjustment – GASB 68	–	–	–	(2,145,914)	–
Prior period adjustment - TCS D capital deferral	–	–	–	–	3,559,279
Beginning net assets - as adjusted	–	–	–	30,448,811	36,356,451
Ending net position	\$28,475,930	\$30,233,342	\$32,594,725	\$32,797,172	\$39,586,927

<sup>(1)</sup> The changes in classifications starting fiscal year 2013-14 were due to a change in the District's auditors.

Source: Sausalito-Marin City Sanitary District audited financial statements for the fiscal years 2011-12 through 2015-16.

## Projected Operating Results and Debt Service Coverage

The table below shows the District's revenues, expenditures, debt service coverage and fund balance for fiscal year 2015-16, fiscal year 2016-17 (budgeted), and fiscal years 2017-18 through 2019-20 (projected).

The revenue projections shown below reflect the wastewater rate structure under Ordinance No. 94. See “Wastewater Rates and Charges” above. The projections also assume the issuance of the Bonds by the District in fiscal year 2016-17. Expenses projections are based on the projections from the District’s adopted budget.

*The projections set forth in the table below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. The forecast represents the District’s estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the table below are material in the development of the District’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast, and such variations may be material.*

**Table 7**  
**Projected Revenues, Expenditures, Debt Service Coverage and Fund Balances\***  
**Fiscal Year 2016-17 (Budgeted) and**  
**2017-18 through 2021-22 (Projected)**

	Budgeted 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Service Charges / EDU	\$833	\$850	\$866	\$866	\$866	\$866
Total Revenues	\$8,313,407	\$9,212,000	\$9,602,000	\$9,625,000	\$9,712,000	\$9,842,000
Total Expenses <sup>(1)</sup>	4,435,947	4,660,000	4,880,000	5,110,000	5,360,000	5,620,000
Net Revenues	\$3,877,460	\$4,552,000	\$4,722,000	\$4,515,000	\$4,352,000	\$4,222,000
<b>Debt Service</b>						
CNB Loan <sup>(2)</sup>	\$221,262	\$221,000	-	-	-	-
SRF Loan	147,806	147,806	\$147,806	\$147,806	\$147,806	\$147,806
2017 Bonds <sup>(3)</sup>	-	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Total Debt Service	-	\$2,528,806	\$2,307,806	\$2,307,806	\$2,307,806	\$2,307,806
<b>Coverage (1.25x Requirement)</b>		1.800x	2.046x	1.956x	1.886x	1.829x

\* Preliminary, subject to change.

(1) Does not include capital expenditures.

(2) Assumes that the CNB Loan will be repaid from the District’s reserves in fiscal year 2017-18.

Source: Sausalito-Marín City Sanitary District.

***Fiscal Year 2016-17 Budget.*** The District's fiscal year 2016-17 budget projects approximately \$8.7 million in total operating revenues, of which \$6.1 million are from sewer service charges and \$2.0 million are from service contracts. The adopted budget also identifies \$7.3 million in total spending, of which \$4.2 million are operations and maintenance expenses, and \$3.1 million are capital expenditures. The District plans to use a portion of the Bond proceeds on these capital expenditures.

***Reserve and Fund Balance Policies.*** The District has a Reserve Fund Policy which was approved by the District's Board in September 2014. The District maintains specific reserves and fund balances that it deems appropriate to the needs of the District. [Targeted reserve and fund balance levels are established and reviewed annually as part of the budget process.]

**Operating Reserve.** The District maintains cash and investments necessary to provide working capital for operating expenses and cash flow during the year. The District has a target balance equivalent to nine months of its annual operation and maintenance expenses (approximately \$2.9 million for fiscal year 2016-17), and a minimum required balance of four months of annual operation and maintenance expenses, plus funds sufficient to cover any restricted reserve obligations (approximately \$1.3 million for fiscal year 2016-17). The ending balance for fiscal year 2015-16 was approximately [\$3.0] million, and the reserve is projected to have an ending balance for fiscal year 2016-17 of approximately \$2.6 million.

**Capital Reserve.** The District maintains a capital reserve for major capital projects in the District's ten-year Capital Plan. The District has a target balance of 1.5 times the average annual 10-year Capital Plan expense, including debt service payments (approximately \$4.8 million in fiscal year 2016-17), and a minimum required balance equal to an amount sufficient to cover the annual debt service requirement on the Capital Plan and other restricted reserve obligations (approximately \$518,000 for fiscal year 2016-17). The ending balance for fiscal year 2015-16 was approximately [\$4.8] million, and the reserve is projected to have an ending balance for fiscal year 2016-17 of approximately \$6.3 million.

**Renewal and Replacement Reserve.** The District maintains a reserve to provide funds for renewal and replacement of equipment and appurtenant assets of the District. The District has a target balance of two years of average annual replacement costs (approximately \$500,000 in fiscal year 2016-17), and a minimum required balance equal to one year of average annual renewal and replacement costs (approximately \$250,000 for fiscal year 2016-17). The ending balance for fiscal year 2015-16 was approximately [\$423,000], and the reserve is projected to have an ending balance for fiscal year 2016-17 of approximately \$423,000.

**Disaster Recovery Reserve.** The District established a Disaster Recovery Reserve in fiscal year 2015-16 for the purpose of providing additional funds for emergency recovery until long-term funding is arranged from rate increases or long-term indebtedness. The District has a target balance of one year of the average annual ten-year Capital Plan cash-funded capital expense (approximately \$1.5 million in fiscal year 2016-17), and a minimum required balance of \$250,000 to aid in disaster recovery. The ending balance for fiscal year 2015-16 was [\$250,000], and the reserve is projected to have an ending balance for fiscal year 2016-17 of \$500,000.

### **Future Capital Improvements**

The District has a ten-year Capital Plan that was adopted in 2010 and updated in fiscal year 2015-16. The Capital Plan identifies \$53 million of needed sewer infrastructure improvements through fiscal year 2020-21. To date, approximately \$12.5 million of collection and treatment plant improvements have been completed. Of the remaining \$41.5 million, approximately \$31.8 million is programmed for the treatment plant, \$6.7 million for sewer collection conveyance projects, and \$3 million for other capital expenses. The largest capital project is the Headworks, Primary and Secondary improvements at the treatment plant which are estimated at \$27.2 million. The District's Capital Plan is subject to change, and the project costs and timing of projects are likely to be revised from time to time. The District plans to use a portion of the proceeds of the Bonds to finance a portion of the capital improvements included in the Capital Plan over the next five fiscal years.

## Regulatory Requirements

**Wastewater System Operations.** The District is subject to the requirements contained in the following state and federal regulations:

- Federal Water Pollution Control Act, as amended (33 U.S.C. §1311 et seq.) (the “Clean Water Act”).
- Resource Conservation and Recovery Act (42 U.S.C. §6901 et. seq.) (the “Resource Conservation and Recovery Act”).
- State of California Porter-Cologne Water Quality Control Act of 1969, as amended.
- California State Water Resources Control Board Order No. 2006-0003-DWQ (“Order No. 2006-0003-DWQ”), which is available at the following website address:  
[http://www.waterboards.ca.gov/board\\_decisions/adopted\\_orders/water\\_quality/2006/wqo/wqo2006\\_0003.pdf](http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf)
- California State Water Resources Control Board Order No. WQ 2013-0058-EXEC – Amending Monitoring and Reporting Program for Statewide General Waste Discharge Requirements for Sanitary Sewer Systems (“Order No. 2013-0058-EXEC”), which is available at the following website address:  
[http://www.waterboards.ca.gov/board\\_decisions/adopted\\_orders/water\\_quality/2013/wqo2013\\_0058exec.pdf](http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2013/wqo2013_0058exec.pdf)

*The references to the Internet websites made above are made for convenience only. The information contained within the websites may not be current, has not been reviewed by the District and is not incorporated by reference in this Official Statement.*

The District has a Sewer System Management Plan, which describes the management of the District’s wastewater system. The District’s Sewer System Management Plan was prepared in compliance with Order No. 2006-0003-DWQ, which was amended by Order No. 2013-0058-EXEC. Under Order No. 2006-0003-DWQ, sanitary sewer systems were required to develop and implement a system-specific Sewer System Management Plan. The District updated and certified that its Sewer System Management Plan was in compliance with Order No. 2006-0003-DWQ in 2008 and, again, in 2013 to comply with Order No. WQ 2013-0058-EXEC. Order No. WQ 2013-0058-EXEC revised the categories of severity, timelines for reporting, and water quality sampling and testing requirements.

**Other Permitting Requirements.** Section 301(a) of the Clean Water Act, 33 USC §1311(a), prohibits the discharge of pollutants by any person to United States waters, except in compliance with certain sections of the Clean Water Act. Section 402 of the Clean Water Act authorizes the U.S. Environmental Protection Agency (the “EPA”) or approved states to issue National Pollutant Discharge Elimination System (“NPDES”) permits allowing for the discharge of pollutants into waters of the United States. In July 2000, the State of California Regional Water Quality Control Board San Francisco Region (“SFRWQCB”) adopted Waste Discharge Order 00-060, which serves as NPDES Permit No. CA0038067 for the District (as supplemented, the “NPDES Permit”). The NPDES Permit is administratively extended from time to time.

In April 2007 and November 2008, the EPA issued findings of sanitary sewer overflows, in violation of certain sections of the Clean Water Act and the NPDES Permit. The overflows and spills were determined to have been caused by various factors, including excess rainfall, excessive saltwater intrusion to the collection system, and aging and deteriorated sewer pipes in the collection system. In response to the orders, the District had a Sewage Spill Reduction Action Plan prepared, determined the need to modernize and rehabilitate the wastewater system, and began implementing such projects, including the Wastewater Project to be financed with

the proceeds of the Bonds. The Wastewater Project is designed to enable the District to meet its regulatory obligations under the orders.

Since 2006, the District has not been cited for violations nor fined, and has not received any regulatory actions.

### **THE AUTHORITY**

The Authority was created by a Joint Exercise of Powers Agreement, dated January 24, 2017, between the District and Las Gallinas Valley Sanitary District (“LGVSD”). That agreement was entered into pursuant to Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code (the “JPA Law”).

The Authority was created for the purpose, among others, of issuing bonds to finance the acquisition and construction of certain public capital improvements of and relating to the District and LGVSD. The Authority is governed by a four-member board of directors, two of whom are appointed by the District, and the other two by LGVSD. The Authority has no employees, and all staff work is done by the District’s or LGVSD’s staff or consultants to the Authority.

### **BOND OWNERS’ RISKS**

*This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.*

#### **Net Revenues; Rate Covenant**

Net Revenues are dependent upon the demand for wastewater services, which can be affected by population factors, more stringent wastewater standards, wastewater regulations, water conservation, water shortages, problems with the District’s wastewater collection and other factors. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenant contained in the Installment Sale Agreement.

The District’s ability to meet its rate covenant is dependent upon its capacity to increase rates to a level sufficient to meet debt service on the Bonds and other Parity Obligations.

#### **Risks Related to Facilities and Operations**

The operation of the District’s facilities and physical condition of the District’s facilities are subject to a number of risk factors that could adversely affect the reliability of sewer service or increase the operating expenses of the District. Prolonged damage to the District’s facilities could interrupt the ability of the District to realize Revenues sufficient to pay principal of and interest on the Bonds, require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Sale Agreement (which could drive down demand for wastewater and related services), or require the District to increase expenditures for repairs significantly enough to adversely impact the District’s ability to pay the principal of or interest on the Bonds.

These factors could include, among others, the following.

***Operation and Maintenance Expenses.*** There can be no assurance that operation and maintenance expenses of the District related to the wastewater system will be consistent with the levels contemplated in this Official Statement.

***Seismic Hazards and Natural Disasters.*** The District is located in a seismically active region. From time to time, the service area of the District may be subject to other natural disasters, including without limitation wildfires, flooding and landslides, tsunamis, or man-made disasters that could interrupt operation of the wastewater system, or adversely affect economic activity in the District's service area.

There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the District's facilities, including exacerbated infiltration and/or inflow of ground and other waters into the wastewater system, or that the District would have insurance or other resources available to make repairs in order to generate sufficient Net Revenues to pay debt service on the Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the District's facilities due to earthquake, fire or flood.

***Aging Facilities.*** The District's facilities are aging and in need of repair or replacement. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on District operations.

***Private Sewer Laterals.*** Private sewer laterals are not owned or operated by the District; however, faulty private sewer laterals can increase inflow and infiltration into the District's facilities. Excessive inflow and infiltration into the facilities due to faulty sewer laterals may cause damage to the District's facilities.

***National Park Service MOU/Agreement.*** The existing easement agreement with the National Park Service is scheduled to terminate in February 2017, and the District currently operates its facilities under the MOU. While the District and the National Park Service are in the process of negotiating a replacement agreement, there can be no guarantee that the parties will come into an agreement. Further, the replacement agreement may be subject to pre-termination by the National Park Service under certain conditions. The pre-termination of the MOU or the replacement agreement may adversely impact the District's ability to operate the wastewater system. See "THE DISTRICT – Wastewater Facilities."

***Statutory and Regulatory Compliance.*** The operation of the District is subject to a variety of federal and State statutory and regulatory requirements. Any failure by the District to comply with applicable laws and regulations could result in significant fines and penalties. See "– Risk of Fines and Litigation." Further, compliance with these laws and regulations may result in significant increases in the capital and operating costs of the District.

***Casualty Losses.*** The Installment Sale Agreement obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the District's facilities in the event of damage or destruction to such portion of the District's facilities. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the District's facilities.

### **Risk of Fines and Litigation**

There is no certainty that the District can eliminate all future sanitary sewer overflows that reach waters of the United States. Additional sanitary sewer overflows could result in administrative civil penalties or the request for civil penalties by third parties brought under the citizen suit provisions of the Clean Water Act. Any such actions could impose additional payment obligations on the District. Any fines or civil penalties would

likely be classified by the District as Operation and Maintenance Costs and, therefore, payable prior to debt service on the Bonds.

### **Risk of Ad Valorem Property Tax Diversion**

As part of the State of California budget process, the diversion (either temporarily or permanently) of ad valorem property tax revenues allocated to utility districts like the District has been proposed from time to time. Property taxes have represented approximately 7% of the District's revenues over the last three fiscal years. Any legislative change to the allocation of ad valorem property tax revenues to special districts, if implemented, could decrease the District's revenues.

### **Limitations on Remedies Available to Bond Owners**

The ability of the District to comply with its covenants under the Installment Sale Agreement and generate Net Revenues sufficient to pay the Installment Payments may be adversely affected by actions and events outside of the control of the District or taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "Articles XIIIIC and XIIID of the California Constitution" below. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Sale Agreement or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Installment Sale Agreement and the Indenture, the rights and obligations under the Bonds, the Installment Sale Agreement and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the District in violation of their respective covenants in the Installment Sale Agreement and the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **Limitations on Rate Setting Under the California Constitution**

*General.* On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local

government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- A charge imposed as a condition of property development.
- Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

***Property-Related Fees and Charges.*** Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

***Initiative Power.*** In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

***Judicial Interpretation of Articles XIII C and XIII D.*** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIII D under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIII D to certain charges



related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIII D.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218, and a municipality must comply with Article XIII D before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIII D, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIII C's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIII C authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

**Current Practice Regarding Rates and Charges.** The District's practice in implementing increases in rates and charges has been to mail a notice to all property owners and, at least 45 days later, hold a public hearing before adopting increased rates, in compliance with the *Bighorn* decision.

The District believes its Sewer Service Charges do not constitute "taxes" under Article XIII C as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIII C, they are "property-related fees imposed in accordance with the provisions of Article XIII D" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIII D) and because, as described in subsection 1(e)(2) of Article XIII C, they are charged for wastewater service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The District believes neither its connection fees nor any similar fees relating to the wastewater system is a "tax" as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific privilege and does not exceed the reasonable costs of conferring the privilege.

**Conclusion.** It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's wastewater rates and charges, though it is not clear whether (and California courts have not decided

whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIIC and Article XIIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater, or to call into question previously adopted wastewater rate increases.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

### **Future Parity Obligations**

As described in “SECURITY FOR THE BONDS – Parity Obligations; Issuance by District of Additional Debt” above, the Installment Sale Agreement permits the District to issue Parity Obligations, under which its obligations would be payable on a parity with the payment of the Installment Payments.

The coverage tests described in “SECURITY FOR THE BONDS – Parity Obligations; Issuance by District of Additional Debt” involve, to some extent, projections of Net Revenues. If Parity Obligations are issued, the debt service coverage for the Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds and any future Parity Obligations.

### **Bankruptcy**

While an involuntary bankruptcy petition cannot be filed against the District or the Authority, each of the District and the Authority is authorized to file for bankruptcy under certain circumstances. Should the District or the Authority file for bankruptcy, there could be adverse effects on the holders of the Bonds.

To the extent that the Net Revenues are “special revenues” under the Bankruptcy Code and the Bonds are covered by the provisions of the Bankruptcy Code relating to pledges of special revenues, then Net Revenues collected after the date of the bankruptcy filing should secure the District’s obligations under the Installment Sale Agreement. If any or all of the Net Revenues are determined not to be special revenues or if it is determined that the Bonds are not covered by the relevant provisions of the Bankruptcy Code, then any such amounts collected after the commencement of the bankruptcy case will likely not secure the District’s obligations under the Installment Sale Agreement. The holders of the Bonds may not be able to assert a claim against any property of the District other than the Net Revenues, and if any or all of the Net Revenues no longer secure the Installment

Sale Agreement, then there may be limited, if any, funds from which the holders of the Bonds are entitled to be paid.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the transaction documents may not be applicable.

If the District or the Authority is in bankruptcy, the parties (including the Trustee and the holders of the Bonds) may be prohibited from taking any action to collect any amount from the bankrupt party or to enforce any obligation of the bankrupt party, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee’s possession. If the Authority is in bankruptcy, it may be able to require that all amounts due under the Installment Sale Agreement (including Net Revenues) be paid directly to it, notwithstanding the provisions of the transaction documents that require such payments be made directly to the Trustee. The rate covenant (see “SECURITY FOR THE BONDS – Rate Covenant”) may not be enforceable in bankruptcy by the Trustee or the holders of the Bonds.

The District is permitted to commingle Net Revenues with its own funds for certain periods of time before turning over the Net Revenues to the Trustee. If the District goes into bankruptcy, the District may not be required to turn over to the Trustee any Net Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. If the District has possession of Net Revenues (whether collected before or after commencement of the bankruptcy) and if the District does not voluntarily turn over such Net Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the Bonds would have to follow to attempt to obtain possession of such Net Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

If the District or the Authority is in bankruptcy it may be able to repudiate the Installment Sale Agreement. If the Installment Sale Agreement is repudiated, the District will no longer be obligated to make any payments under it.

If the District or the Authority is in bankruptcy it may be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Installment Sale Agreement, the Indenture, and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District or the Authority that could result in delays or reductions in payments on the Bonds, or result in losses to the holders of the Bonds. Regardless of any specific adverse determinations in a District or Authority bankruptcy proceeding, the fact of a District or Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

## TAX MATTERS

***Opinion of Bond Counsel.*** In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of

reasonable expectations made by the District in connection with the Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

***Certain Ongoing Federal Tax Requirements and Covenants.*** The Code establishes certain ongoing requirements that must be met subsequent to the execution and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

***Certain Collateral Federal Tax Consequences.*** The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest evidenced thereby is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

***Original Issue Discount.*** “Original issue discount” (“OID”) on a tax-exempt bond is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Tax-Exempt Discount Bond”), OID that has accrued and is properly allocable to the owners of the Tax-Exempt Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Tax-Exempt Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Tax-Exempt Discount Bond. An owner's adjusted basis in a Tax-Exempt Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Tax-Exempt Discount Bond even though there will not be a corresponding cash payment.

Owners of Tax-Exempt Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Tax-Exempt Discount Bonds.

**Bond Premium.** In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Tax-Exempt Premium Bond"). In general, under Section 171 of the Code, an owner of a Tax-Exempt Premium Bond must amortize the bond premium over the remaining term of the Tax-Exempt Premium Bond, based on the owner's yield over the remaining term of the Tax-Exempt Premium Bond determined based on constant yield principles (in certain cases involving a Tax-Exempt Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Tax-Exempt Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a Tax-Exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Tax-Exempt Premium Bond may realize a taxable gain upon disposition of the Tax-Exempt Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Tax-Exempt Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Tax-Exempt Premium Bonds.

**Information Reporting and Backup Withholding.** Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

**Miscellaneous.** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or State level, may adversely affect the tax-exempt status of interest on the Bonds under federal or State law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **CERTAIN LEGAL MATTERS**

Hawkins Delafield & Wood LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the District by Hawkins Delafield & Wood LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority by The Law Offices of David J. Byers, Sonoma, California, Authority Counsel, and for the District by Meyers Nave Riback Silver & Wilson, PLC, Oakland, California, District Counsel.

### **REGULATORY MATTERS AND LITIGATION**

[In connection with issuance of the Bonds, the District will certify that, except as described in this Official Statement, to the best knowledge of the District, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Sale Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the District.] *[Please confirm. Any material actions / litigation to disclose?]*

### **RATINGS**

[It is anticipated that S&P Global Ratings (“S&P”) will assign its municipal bond rating of “\_\_\_” to the Bonds, with the understanding that \_\_\_\_\_ will issue its Bond Insurance Policy with respect to the Bonds on the Closing Date.] In addition, S&P and Fitch Ratings (“Fitch”), have assigned underlying municipal bond ratings of “\_\_\_” and “\_\_\_” to the Bonds, respectively.

These ratings reflect only the views of the rating agencies, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

### **CONTINUING DISCLOSURE**

The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year ending June 30), commencing March 31, 2018, with the report for the fiscal year ending June 30, 2017, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of certain listed events is set forth in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The initial Dissemination Agent will be \_\_\_\_\_.

### **SALE OF THE BONDS**

The Bonds are scheduled to be sold at competitive bid on \_\_\_\_\_, 2017, as provided in the Official Notice of Sale, dated \_\_\_\_\_, 2017 (the “Official Notice of Sale”). The Official Notice of Sale provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Purchaser will represent to the Authority and the District that the Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

### **PROFESSIONAL SERVICES**

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds:

- Hawkins Delafield & Wood LLP, as Bond Counsel and Disclosure Counsel;
- Bartle Wells Associates, as Municipal Advisor;
- [Bankers Trust Company], as Trustee.

**EXECUTION**

The execution and delivery of this Official Statement have been authorized by the board of directors of the Authority and the board of directors of the District.

**MARIN PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

By: \_\_\_\_\_



**APPENDIX A**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX B**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ \_\_\_\_\_  
**MARIN PUBLIC FINANCING AUTHORITY  
(SAUSALITO-MARIN CITY SANITARY DISTRICT)  
2017 REVENUE BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Sausalito-Marín City Sanitary District (the “District”) in connection with the issuance by the Marin Public Financing Authority (the “Authority”) of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of \_\_\_\_\_ 1, 2017 (the “Indenture”), by and between the Authority and [Bankers Trust Company], as trustee.

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“Dissemination Agent” means \_\_\_\_\_ or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement dated \_\_\_\_\_, 2017, executed by the Authority and the District in connection with the issuance of the Bonds.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2018, with the report for the fiscal year ending June 30, 2017, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

(A) Table 1, Number of Wastewater EDUs by Customer Class.

(B) Table 7, Projected Revenues, Expenditures, Debt Service Coverage and Fund Balances.

(iii) A summary of any changes in the District's wastewater rates and charges since the date of the previous Annual Report.

(iv) A description of any Parity Debt issued during the most recently completed fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(vii) Modifications to rights of security holders, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the District.

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be [Bankers Trust Company] Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in

law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful

misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The Dissemination Agent shall have the same rights, protections and immunities hereunder as provided to the Trustee under the Indenture. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: \_\_\_\_\_, 2017

Sausalito-Marin City Sanitary District

By : \_\_\_\_\_

AGREED AND ACCEPTED:

\_\_\_\_\_,  
as Dissemination Agent

By : \_\_\_\_\_  
Authorized Representative



**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Marin Public Financing Authority (the "Authority")

Name of Issue: Marin Public Financing Authority (Sausalito-Marin City Sanitary District)  
2017 Revenue Bonds

Date of Issuance: \_\_\_\_\_, 2017

NOTICE IS HEREBY GIVEN that the Sausalito-Marin City Sanitary District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated \_\_\_\_\_, 2017. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

By: \_\_\_\_\_

Its: \_\_\_\_\_

## APPENDIX D

### GENERAL INFORMATION ABOUT THE CITY OF SAUSALITO, MARIN CITY, AND THE COUNTY OF MARIN

*The following information concerning the City of Sausalito, Marin City and the County of Marin is included only for the purpose of supplying general information regarding these areas.*

#### General Information

**City of Sausalito.** The City of Sausalito was incorporated in 1893, and is located in the northern part of the State of California in Marin County. The City has operated under the council-manager form of government since 1955. Policy-making and legislative authority are vested in the City Council consisting of a mayor and four other members, all elected on a non-partisan, at large basis. The Council appoints the City Manager and the City Attorney. The City Manager appoints the heads of the various departments. Council members serve overlapping four-year terms. The Mayor is appointed by the Council annually on rotating one-year terms. The City occupies 1.9 square miles.

**Marin City.** Marin City is an unincorporated community in Marin County, located 1.5 miles north of San Francisco from the Golden Gate Bridge. The municipal authority for Marin City is the Marin City Community Services District (“MCCSD”), a multipurpose California special district that is governed by a publicly-elected five-member board of directors. The MCCSD’s programs are administered by a District Manager and staff. The MCCSD has a total area of 0.9 square miles.

**County of Marin.** Marin County was one of the original counties of California, created in 1850 at the time of statehood. The County has a total area of 828 sq. miles and, as of January 1, 2016, a population of approximately 262,300. Geographically, the county forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east, and – across the Golden Gate – the City and County of San Francisco to the south. Marin County’s northern border is with Sonoma County. Most of the county’s population resides on the eastern side, with a string of communities running along the Bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

#### Population

The following table shows population estimates for the City of Sausalito, the County of Marin and the State of California for the past five years as of January 1. The California Department of Finance does not maintain separate information on Marin City but consolidates information relating to Marin City with the other unincorporated areas within Marin County. According to the 2010 Census, the population of Marin City in 2010 was 2,666.

#### CITY OF SAUSALITO, COUNTY OF MARIN AND STATE OF CALIFORNIA Population Estimates As of January 1

Area	2012	2013	2014	2015	2016
City of Sausalito	7,110	7,075	7,152	7,212	7,217
County of Marin	255,812	257,228	260,294	261,798	262,274
State of California	37,881,357	38,239,207	38,567,459	38,907,642	39,255,883

Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State – January 1, 2011- 2016. Sacramento, California, May 2016.

## Industry

The table below lists employment by industry group for the County of Marin for the years 2011 through 2015.

### COUNTY OF MARIN Annual Average Labor Force Employment by Industry Group

	2011	2012	2013	2014	2015 <sup>(1)</sup>
Civilian Labor Force	134,600	137,100	138,700	139,600	141,100
Civilian Employment	124,800	128,500	131,500	133,700	136,100
Civilian Unemployment	9,800	8,600	7,200	5,900	5,000
Civilian Unemployment Rate	7.3%	6.3%	5.2%	4.3%	3.5%
Total Farm	400	400	400	400	300
Total Nonfarm	102,600	105,800	109,600	110,900	113,000
Total Wage and Salary	103,100	106,200	110,000	111,300	113,300
Total Private	86,700	90,300	94,200	95,500	97,300
Goods Producing	7,100	7,700	8,600	9,600	10,400
Service Providing	95,500	98,000	101,000	101,300	102,500
Private Service Providing	79,500	82,600	85,600	85,900	86,900
Mining and Logging	100	100	0	0	0
Nat. Resources, Mining & Construction	5,000	5,300	5,700	6,100	6,500
Construction	4,900	5,200	5,700	6,100	6,500
Manufacturing	2,200	2,400	2,900	3,500	4,000
Trade, Transportation & Utilities	16,900	17,300	17,800	18,300	18,400
Wholesale Trade	2,400	2,600	2,700	2,800	3,000
Retail Trade	13,400	13,600	13,900	14,300	14,300
Transportation, Warehousing & Utilities	1,100	1,100	1,200	1,300	1,200
Information	2,600	2,800	2,800	2,600	2,600
Financial Activities	7,000	7,200	7,300	6,800	6,400
Professional & Business Services	17,800	18,600	18,700	18,200	18,700
Educational & Health Services	17,800	18,500	19,400	19,700	20,200
Leisure & Hospitality	12,700	13,200	14,400	15,100	15,400
Other Services	4,800	5,000	5,200	5,200	5,300
Government	16,000	15,500	15,400	15,400	15,700
Federal Government	800	800	800	700	700
Federal Government Ex. Dept. of Defense	700	700	700	700	700
Department of Defense	100	100	100	0	0
State Government	2,100	2,000	1,900	1,800	1,900
State Government Education	0	0	0	0	0
State Government Excluding Education	2,100	2,000	1,900	1,800	1,900
Local Government	13,100	12,700	12,700	12,900	13,000
Local Government Education	6,100	5,600	5,600	5,700	5,700
Local Government Excluding Education	7,000	7,100	7,200	7,300	7,300
Special Districts plus Indian Tribes	3,000	3,100	3,200	3,200	3,200
County	2,500	2,500	2,500	2,600	2,600
City	1,500	1,500	1,500	1,500	1,500
State and Local Government	15,200	14,700	14,600	14,700	15,000

<sup>(1)</sup> Most recent annual data available. Information is based on a 2015 benchmark and is not seasonally adjusted.  
Source: State of California Employment Development Department.

The table below lists, in alphabetical order, the major employers in the County of Marin.

**COUNTY OF MARIN  
Major Employers**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Autodesk Inc	San Rafael	Computer Programming Services
Bio Marin Pharmaceutical Inc	San Rafael	Laboratories-Research & Development
Cagwin & Dorward Landscape	Novato	Landscape Contractors
California Alpine Club	Mill Valley	Clubs
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Community Action Marin	San Rafael	Non-Profit Organizations
Corrections Dept	San Quentin	Government Offices-State
Dominican University of Ca	San Rafael	Schools-Universities & Colleges Academic
Extreme Pizza	San Rafael	Restaurant Management
Kaiser Permanente San Rafael	San Rafael	Hospitals
Kreines & Kreines Inc	Belvedere Tibrn	Environmental & Ecological Services
Lucas Licensing	Nicasio	Video Production & Taping Service
Macy's	Corte Madera	Department Stores
Managed Health Network Inc	San Rafael	Mental Health Services
Marin Community College	Kentfield	Schools-Universities & Colleges Academic
Marin County Sheriff's Dept	San Rafael	Government Offices-County
Marin General Hospital	Greenbrae	Hospitals
Marin Independent Journal	San Rafael	Newspapers (publishers/Mfrs)
Nordstrom	Corte Madera	Department Stores
Restoration Hardware Holdings	Corte Madera	Furniture-Dealers-Retail
San Rafael Human Resources	San Rafael	Government Offices-City, Village & Twp
Sonnen Motorcars	San Rafael	Automobile Dealers-New Cars
Sutter Health Facility	Novato	Hospitals
Township Building Svc Inc	Novato	Janitor Service
Westamerica Bancorporation	San Rafael	Holding Companies (bank)

*Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2017 1<sup>st</sup> Edition.*

## Commercial Activity

A summary of historical taxable sales within the City of Sausalito during the past five years in which annual data is available is shown in the following table.

### CITY OF SAUSALITO Taxable Transactions (dollars in thousands)

Year	Retail Stores Taxable Transactions	Total Outlets Taxable Transactions
2010	\$102,657	\$125,594
2011	114,338	139,694
2012	121,523	148,601
2013	129,826	160,965
2014 <sup>(1)</sup>	141,468	177,356

<sup>(1)</sup> Most recent annual data available.

Source: State of California, Board of Equalization.

A summary of historical taxable sales within the County of Marin during the past five years in which annual data is available is shown in the following table.

### COUNTY OF MARIN Taxable Transactions (dollars in thousands)

Year	Retail Stores Taxable Transactions	Total Outlets Taxable Transactions
2010	\$2,915,477	\$3,834,169
2011	3,134,270	4,049,869
2012	3,357,884	4,333,600
2013	3,605,108	4,664,920
2014 <sup>(1)</sup>	3,745,315	4,861,801

<sup>(1)</sup> Most recent annual data available.

Source: State of California, Board of Equalization.

## Construction Trends

Provided below are the building permits and valuations for the City of Sausalito and the County of Marin for calendar years 2012 through 2016.

### CITY OF SAUSALITO Building Permit Valuations

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$1,162,000	\$205,475	\$2,060,000	\$2,067,225	0
New Multi-family	0	0	1,615,000	30,000	\$1,979,034
Res. Alterations/Additions	9,535,682	8,118,127	8,701,530	4,370,210	2,462,664
Total Residential	\$10,697,682	\$8,323,602	\$12,376,530	\$6,467,435	\$4,441,698
New Industrial	0	\$20,000	0	0	0
New Commercial	0	800,000	\$375,000	0	0
New Other	\$121,641	48,000	70,000	0	0
Com. Alterations/Additions	4,981,386	2,855,911	1,914,720	\$385,562	\$6,075,000
Total Nonresidential	\$5,103,027	\$3,723,911	\$2,359,720	\$385,562	\$6,075,000
<u>New Dwelling Units</u>					
Single Family	2	1	2	3	0
Multiple Family	0	0	3	2	2
TOTAL	2	1	5	5	2

Source: Construction Industry Research Board, *Building Permit Summary*

### COUNTY OF MARIN Building Permit Valuations

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$36,152,737	\$59,423,221	\$71,460,064	\$75,834,521	\$68,694,882
New Multi-family	4,927,531	33,397,438	14,069,125	2,426,350	1,979,034
Res. Alterations/Additions	132,762,349	152,065,067	203,375,333	203,754,731	194,742,961
Total Residential	\$173,842,617	\$244,885,726	\$288,904,522	\$282,015,602	\$265,416,877
New Industrial	\$2,124,000	\$154,864	0	0	0
New Commercial	37,684,000	10,326,462	\$62,586,873	\$16,620,000	\$6,650,000
New Other	11,857,073	18,432,504	37,721,866	36,433,735	48,953,397
Com. Alterations/Additions	66,406,432	93,745,764	85,972,938	497,343,601	69,437,760
Total Nonresidential	\$118,071,505	\$122,659,594	\$186,281,677	\$550,397,336	\$125,041,157
<u>New Dwelling Units</u>					
Single Family	67	90	112	121	104
Multiple Family	50	212	76	20	2
TOTAL	117	302	188	141	106

Source: Construction Industry Research Board, *Building Permit Summary*

## **Income**

According to the United States Census Bureau, the median household income in Marin City from 2011-2015 is \$40,321, and the median household income in the City of Sausalito for the same period is \$122,434. The median household income in California and in the United States from 2011-2015 was \$61,818 and \$53,889, respectively.

## **Transportation**

The County's transportation facilities are excellent, with U.S. Highway 101 and U.S. Interstate Highway 580 providing easy access to the rest of California. Buses provide commuter service to San Francisco and other Bay Area cities, and commuter ferries embark for San Francisco from the communities of Sausalito, Tiburon, and Larkspur. The San Francisco International Airport, located 30 miles from the Town, provides air passenger service to points worldwide.

**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Marin Public Financing Authority  
\_\_\_\_\_, California

**Re:    *Marin Public Financing Authority (Sausalito-Marin City Sanitary District)  
2017 Revenue Bonds (Marin County, California)***

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Marin Public Financing Authority (Sausalito-Marin City Sanitary District) (the “Authority”) of its \$[35,850,000] 2017 Revenue Bonds (Marin County, California) (the “Bonds”). The Bonds are being issued pursuant to the laws of the State of California, including Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Law”), a resolution duly adopted by Sausalito-Marin City Sanitary District (the “District”) and the Authority on \_\_\_\_\_, 2017 (together, the “Resolutions”), an Installment Sale Agreement, dated as of \_\_\_\_\_ 1, 2017 (the “Installment Sale Agreement”), between the Authority, as seller, and District, as purchaser, and an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2017 (the “Indenture”), between the Authority and [Bankers Trust Company], as trustee (the “Trustee”).

In our capacity as Bond Counsel we have reviewed the Law, the Resolutions, the Installment Sale Agreement, the Indenture, certificates of the Authority, the Trustee and others, an opinion of The Law Offices of David J. Byers, as counsel to the Authority (“Authority Counsel”), an opinion of Meyers Nave Riback Silver & Wilson, PLC, as counsel to the District (“District Counsel”) and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

We call attention to the fact that the rights and obligations under the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1.       The Bonds constitute valid and binding limited obligations of the Authority and are payable solely from Revenues and certain other amounts held under the Indenture.
  
2.       The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority. The Indenture creates a valid lien on the Revenues and certain other amounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture and subject to the



provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Installment Sale Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority and the District. The Installment Sale Agreement creates a valid lien on the Net Revenues and certain other amounts pledged by the Installment Sale Agreement for the security of the Installment Payments.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to its their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Authority and the District will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority and the District represent that they will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 4, we have relied upon and assumed (i) the material accuracy of the Authority's and the District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the Authority and the District with procedures and covenants set forth in the Tax Certificate as to such matters.

5. Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under State and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**[APPENDIX G  
SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**

AGENDA ITEM: IV.C.  
DATE: MARCH 9, 2017

**APPROVE SPECIAL LIABILITY INSURANCE PROGRAM FROM THE CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY FOR THE MARIN PUBLIC FINANCING AUTHORITY.**

---

**BACKGROUND:**

At the January 24, 2017 the Board approved the application for liability insurance to the California Sanitation Risk Management Agency (CSRMA) for the Marin Public Financing Authority (MPFA).

CSRMA has provided the MPFA will quotes for coverage at three levels of liability: \$1 million, \$2 million and \$5 million. See the attached.

Per Seth Cole of CSRMA, the types of coverage quoted cover the following potential liability:

"Personal Injury, fire damage and products / completed operations" is General Liability insurance. This would cover a "slip and fall" type claim at a public meeting. Non-owned and hired Auto Liability would cover an employee and or board member's use of their personal vehicle on Authority business.

Public Officials Errors and Omissions is intended to cover the Authority's board members for decisions they make on behalf of the Authority, and the board itself

The cost for the various levels of liability coverage are:

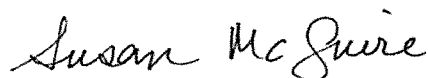
\$1,000,000 - \$23,832.62 (including taxes & fees)  
\$2,000,000 - \$26,761.45 (including taxes & fees)  
\$5,000,000 - \$30,987.44 (including taxes & fees)

All limit options are with a \$1,000 Deductible.

Please Note: Hired and Non Owned Auto coverage is presented at \$1,000,000 limit for all limit options.

**RECOMMENDATION:**

A matter for Board determination.



**SUBMITTED BY:**

Susan McGuire, Administrative Services Manager/Treasurer



**SPECIAL LIABILITY INSURANCE PROGRAM (SLIP)  
PROPOSAL  
SEPTEMBER 29, 2016 TO SEPTEMBER 29, 2017**

**NAMED INSURED:** Marin Public Finance Authority

**PROGRAM TERM:** 9/29/16 to 9/29/17

**INSURANCE COMPANY:** Associated Industries Insurance Company

**A.M. BEST RATING:\*** A, Excellent; Financial Size Category XIV; (\$1.5 Billion to \$2.0 Billion) as of 7/8/16

**STANDARD & POOR RATING:\*** Not Rated

**CALIFORNIA STATUS:** Non-Admitted

**POLICY NUMBER:** TBD

**COVERAGE:** Manuscript Liability Form on an Occurrence Basis. Coverage included for:

(Coverage applies only where checked)

		LIMIT
Maximum Per Occurrence Limit for all Coverages Combined		\$1,000,000

		LIMIT	DED/SIR
X	Personal Injury (Including Bodily Injury and Property Damage)	\$1,000,000	\$1,000
	Broadcasters Liability		
	Educators Legal Liability		

X	Public Officials Errors and Omissions	\$1,000,000	\$1,000
	Nonprofit Directors and Officers Liability		
	Employment Practices Liability		
	Nose Coverage	Retro Date:	

	Owned Automobile Liability		
	Uninsured Motorist Coverage		
X	Non-Owned and Hired Automobile Liability	\$1,000,000	\$1,000

Annual Aggregate Limits		LIMIT
X	Products / Completed Operations	\$1,000,000
	Public Officials Errors and Omissions	
	Nonprofit Directors and Officers Liability	
	Employment Practices Liability	

*\*See last page for additional information.*

**SLIP Proposal**

**SUBLIMITS:**

(Coverage applies only where checked)		LIMIT	DED/SIR
X	Fire Damage Liability (Sublimit of Personal Injury/property Damage Coverage Limit) Capped at \$1,000,000	\$1,000,000	\$1,000

**Special Endorsements**

- Limits are exhausted by Indemnity and Defense Cost.
- Limits are Per Occurrence.
- There is no General Aggregate.
- Limits apply to each entity in the program.
- Quote is subject to signed and completed SLIP application
- Exclude all operations of Las Galinas Valley Sanitary Distruct and Sausalito- Marin City Sanitary District.
- Any additions to the JPA must besubmitted for rating and approval before the entity will be added to the insurance coverage.

\*\*This QUOTATION is subject to review and possible re-rating if there are any significant changes in operations, exposure or experience prior to carrier binding. Such significant changes include, but are not limited to, any declared or potential occurrence series, claims series or batch notices by or to the insured.\*\*

**ANNUAL PREMIUM:**

\* Taxes, surplus lines fee and brokerage fees are included.

**Option One- \$1MM Limit**

**Premium: \$20,335.00**  
 Taxes: \$610.05  
 Stamp Fee: \$40.67  
 Broker Fee: \$2,338.53  
 MGA Service Fee: \$508.38  
**Total Cost: \$23,832.62**

**IMPORTANT NOTICE:** THE NONADMITTED & REINSURANCE REFORM ACT (NRRA) GOES INTO EFFECT ON JULY 21, 2011. ACCORDINGLY, SURPLUS LINES TAX RATES AND REGULATIONS ARE SUBJECT TO CHANGE WHICH COULD RESULT IN AN INCREASE OR DECREASE OF THE TOTAL SURPLUS LINES TAXES AND/OR FEES OWED ON THIS PLACEMENT. IF A CHANGE IS REQUIRED, WE WILL PROMPTLY NOTIFY YOU. ANY ADDITIONAL TAXES AND/OR FEES OWED MUST BE PROMPTLY REMITTED TO ALLIANT INSURANCE SERVICES, INC.

**MGA Service Fee is 100% earned.**

**Mid-term cancellations could have a short-rate penalty applied to the return premium.**



**TRIA OPTION:** 5% of premium plus applicable taxes and fees.

**MINIMUM EARNED:** 25% of the annual premium

**SUBJECT TO AUDIT:** NO

**SLIP Proposal**

**MAJOR EXCLUSIONS: (Including but not limited to)**

- Fiduciary Liability
- Breach of Contract
- Workers' Compensation
- Asbestos
- Auto Liability (unless Owned Auto coverage provided)
- Uninsured Motorist coverage except if Auto Liability marked X'd above, or unless coverage specifically requested and in file
- Failure to Supply
- Pollution Except for Hostile Fire and Vehicle Upset / Overturn coverage
- Inverse Condemnation / Eminent Domain
- Care, Custody, and Control
- Medical Payment Coverage
- Dam Liability
- All Aircraft; Watercraft over 51 feet in length
- Airports
- Medical Malpractice (except incidental)
- Subsidence
- Nuclear Material
- ERISA
- Fungi or Bacteria
- War or Terrorism
- Securities and Financial Interest
- Mold
- Public Officials Errors & Omissions (if Directors & Officers Applies)
- Directors & Officers (if Public Officials Errors & Omissions Applies)
- Employment Practices Liability (Unless purchased under page 1)
- Montrose Exclusion – Prior knowledge of incident or loss
- Abuse & Molestation
- Residential Construction
- Athletic Participants
- Transit Operations
- Bodily Injury of Tenants or Guests of Tenants for Habitational Risks
- Insurance Agent/Claims Administration/Mortgage Broker
- Lead

**CLAIMS REPORTING:** Please contact Alliant to report claims. Program and Deductible loss adjustment will be provided by Carl Warren Co.

**PROPOSAL DATE:** February 8, 2017

**BINDING CONDITIONS:** Bind orders must be received prior to close of business for coverage to be effective same day. All orders received after close of business will be bound effective the next business day.

**SLIP Proposal**

**BROKER:** **ALLIANT INSURANCE SERVICES, INC. • NEWPORT BEACH, CA**

Gordon B. DesCombes, Executive Vice President  
Christine Tobin, Senior Vice President  
Janet Ragan, Account Executive  
Sheryl Fitzgerald, Account Manager – Lead  
Anne Krueger, Account Representative  
Autumn Stallings, Account Representative

**SUBJECT TO POLICY TERMS, CONDITIONS AND EXCLUSIONS**



This proposal of insurance is provided as a matter of convenience and information only. All information included in this proposal, including but not limited to personal and real property values, locations, operations, products, data, automobile schedules, financial data and loss experience, is based on facts and representations supplied to Alliant Insurance Services, Inc. by you. This proposal does not reflect any independent study or investigation by Alliant Insurance Services, Inc. or its agents and employees.

Please be advised that this proposal is also expressly conditioned on there being no material change in the risk between the date of this proposal and the inception date of the proposed policy (including the occurrence of any claim or notice of circumstances that may give rise to a claim under any policy which the policy being proposed is a renewal or replacement). In the event of such change of risk, the insurer may, at its sole discretion, modify, or withdraw this proposal, whether or not this offer has already been accepted.

This proposal is not confirmation of insurance and does not add to, extend, amend, change, or alter any coverage in any actual policy of insurance you may have. All existing policy terms, conditions, exclusions, and limitations apply. For specific information regarding your insurance coverage, please refer to the policy itself. Alliant Insurance Services, Inc. will not be liable for any claims arising from or related to information included in or omitted from this proposal of insurance.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliant.com](http://www.alliant.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at [www.ambest.com](http://www.ambest.com). For additional information regarding insurer financial strength ratings visit Standard and Poor's website at [www.standardandpoors.com](http://www.standardandpoors.com).

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or

reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

#### **NY Regulation 194**

Alliant Insurance Services, Inc. is an insurance producer licensed by the State of New York. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction typically involves one or more of these activities.

Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In some cases, other factors such as the volume of business a producer provides to an insurer or the profitability of insurance contracts a producer provides to an insurer also may affect compensation.

The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by requesting such information from the producer.

#### **FATCA:**

The Foreign Account Tax Compliance Act (FATCA) requires the notification of certain financial accounts to the United States Internal Revenue Service. Alliant does not provide tax advice so please contact your tax consultant for your obligation regarding FATCA.

#### **Changes and Developments**

It is important that we be advised of any changes in your operations, which may have a bearing on the validity and/or adequacy of your insurance. The types of changes that concern us include, but are not limited to, those listed below:

- Changes in any operations such as expansion to another states, new products, or new applications of existing products.
- Travel to any state not previously disclosed.
- Mergers and/or acquisition of new companies and any change in business ownership, including percentages.
- Any newly assumed contractual liability, granting of indemnities or hold harmless agreements.
- Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed or occupied
- Circumstances which may require an increased liability insurance limit.
- Any changes in fire or theft protection such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to the system.
- Immediate notification of any changes to a scheduled of equipment, property, vehicles, electronic data processing, etc.
- Property of yours that is in transit, unless previously discussed and/or currently insured.

**Certificates / Evidence of Insurance**

- A certificate is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by a policy. Nor does it constitute a contract between the issuing insurer(s), authorized representative, producer or certificate holder.
- You may have signed contracts, leases or other agreements requiring you to provide this evidence. In those agreements, you may assume obligations and/or liability for others (Indemnification, Hold Harmless) and some of the obligations that are not covered by insurance. We recommend that you and your legal counsel review these documents.

In addition to providing a certificate of insurance, you may be required to name your client or customer on your policy as an additional insured. This is only possible with permission of the insurance company, added by endorsement and, in some cases, an additional premium.

By naming the certificate holder as additional insured, there are consequences to your risks and insurance policy including:

- Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limit.
- Your policy may provide higher limits than required by contract; your full limits can be exposed to the additional insured.
- There may be conflicts in defense when your insurer has to defend both you and the additional insured.



**SPECIAL LIABILITY INSURANCE PROGRAM (SLIP)  
PROPOSAL  
SEPTEMBER 29, 2016 TO SEPTEMBER 29, 2017**

**NAMED INSURED:** Marin Public Finance Authority

**PROGRAM TERM:** 9/29/16 to 9/29/17

**INSURANCE COMPANY:** Associated Industries Insurance Company

**A.M. BEST RATING:\*** A, Excellent; Financial Size Category XIV; (\$1.5 Billion to \$2.0 Billion) as of 7/8/16

**STANDARD & POOR RATING:\*** Not Rated

**CALIFORNIA STATUS:** Non-Admitted

**POLICY NUMBER:** TBD

**COVERAGE:** Manuscript Liability Form on an Occurrence Basis. Coverage included for:

(Coverage applies only where checked)

	LIMIT
Maximum Per Occurrence Limit for all Coverages Combined	\$2,000,000

		LIMIT	DED/SIR
X	Personal Injury (Including Bodily Injury and Property Damage)	\$2,000,000	\$1,000
	Broadcasters Liability		
	Educators Legal Liability		

X	Public Officials Errors and Omissions	\$2,000,000	\$1,000
	Nonprofit Directors and Officers Liability		
	Employment Practices Liability		
	Nose Coverage	Retro Date:	

	Owned Automobile Liability		
	Uninsured Motorist Coverage		
X	Non-Owned and Hired Automobile Liability	\$1,000,000	\$1,000

Annual Aggregate Limits		LIMIT
X	Products / Completed Operations	\$2,000,000
	Public Officials Errors and Omissions	
	Nonprofit Directors and Officers Liability	
	Employment Practices Liability	

*\*See last page for additional information.*

**SLIP Proposal****SUBLIMITS:**

(Coverage applies only where checked)		LIMIT	DED/SIR
X	Fire Damage Liability (Sublimit of Personal Injury/property Damage Coverage Limit) Capped at \$1,000,000	\$1,000,000	\$1,000

**Special Endorsements**

- Limits are exhausted by Indemnity and Defense Cost.
- Limits are Per Occurrence.
- There is no General Aggregate.
- Limits apply to each entity in the program.
- Quote is subject to signed and completed SLIP application
- Exclude all operations of Las Galinas Valley Sanitary District and Sausalito- Marin City Sanitary District.
- Any additions to the JPA must be submitted for rating and approval before the entity will be added to the insurance coverage.

\*\*This QUOTATION is subject to review and possible re-rating if there are any significant changes in operations, exposure or experience prior to carrier binding. Such significant changes include, but are not limited to, any declared or potential occurrence series, claims series or batch notices by or to the insured.\*\*

**ANNUAL PREMIUM:**

\* Taxes, surplus lines fee and brokerage fees are included.

**Option Two- \$2MM Limit**

**Premium:** \$22,834.00  
**Taxes:** \$685.02  
**Stamp Fee:** \$45.67  
**Broker Fee:** \$2,625.91  
**MGA Service Fee:** \$570.85  
**Total Cost:** \$26,761.45

**IMPORTANT NOTICE:** THE NONADMITTED & REINSURANCE REFORM ACT (NRA) GOES INTO EFFECT ON JULY 21, 2011. ACCORDINGLY, SURPLUS LINES TAX RATES AND REGULATIONS ARE SUBJECT TO CHANGE WHICH COULD RESULT IN AN INCREASE OR DECREASE OF THE TOTAL SURPLUS LINES TAXES AND/OR FEES OWED ON THIS PLACEMENT. IF A CHANGE IS REQUIRED, WE WILL PROMPTLY NOTIFY YOU. ANY ADDITIONAL TAXES AND/OR FEES OWED MUST BE PROMPTLY REMITTED TO ALLIANT INSURANCE SERVICES, INC.

**MGA Service Fee is 100% earned.**

**Mid-term cancellations could have a short-rate penalty applied to the return premium.**

**TRIA OPTION:** 5% of premium plus applicable taxes and fees.  
**MINIMUM EARNED:** 25% of the annual premium  
**SUBJECT TO AUDIT:** NO

**SLIP Proposal**

**MAJOR EXCLUSIONS: (Including but not limited to)**

- Fiduciary Liability
- Breach of Contract
- Workers' Compensation
- Asbestos
- Auto Liability (unless Owned Auto coverage provided)
- Uninsured Motorist coverage except if Auto Liability marked X'd above, or unless coverage specifically requested and in file
- Failure to Supply
- Pollution Except for Hostile Fire and Vehicle Upset / Overturn coverage
- Inverse Condemnation / Eminent Domain
- Care, Custody, and Control
- Medical Payment Coverage
- Dam Liability
- All Aircraft; Watercraft over 51 feet in length
- Airports
- Medical Malpractice (except incidental)
- Subsidence
- Nuclear Material
- ERISA
- Fungi or Bacteria
- War or Terrorism
- Securities and Financial Interest
- Mold
- Public Officials Errors & Omissions (if Directors & Officers Applies)
- Directors & Officers (if Public Officials Errors & Omissions Applies)
- Employment Practices Liability (Unless purchased under page 1)
- Montrose Exclusion – Prior knowledge of incident or loss
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**CLAIMS REPORTING:** Please contact Alliant to report claims. Program and Deductible loss adjustment will be provided by Carl Warren Co.

**PROPOSAL DATE:** February 8, 2017

**BINDING CONDITIONS:** Bind orders must be received prior to close of business for coverage to be effective same day. All orders received after close of business will be bound effective the next business day.

**SLIP Proposal**

**BROKER:**

**ALLIANT INSURANCE SERVICES, INC. • NEWPORT BEACH, CA**

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Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or



reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

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- Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed or occupied
- Circumstances which may require an increased liability insurance limit.
- Any changes in fire or theft protection such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to the system.
- Immediate notification of any changes to a scheduled of equipment, property, vehicles, electronic data processing, etc.
- Property of yours that is in transit, unless previously discussed and/or currently insured.

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By naming the certificate holder as additional insured, there are consequences to your risks and insurance policy including:

- Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limit.
- Your policy may provide higher limits than required by contract; your full limits can be exposed to the additional insured.
- There may be conflicts in defense when your insurer has to defend both you and the additional insured.



**SPECIAL LIABILITY INSURANCE PROGRAM (SLIP)  
PROPOSAL  
SEPTEMBER 29, 2016 TO SEPTEMBER 29, 2017**

**NAMED INSURED:** Marin Public Finance Authority

**PROGRAM TERM:** 9/29/16 to 9/29/17

**INSURANCE COMPANY:** Associated Industries Insurance Company

**A.M. BEST RATING:\*** A, Excellent; Financial Size Category XIV; (\$1.5 Billion to \$2.0 Billion) as of 7/8/16

**STANDARD & POOR RATING:\*** Not Rated

**CALIFORNIA STATUS:** Non-Admitted

**POLICY NUMBER:** TBD

**COVERAGE:** Manuscript Liability Form on an Occurrence Basis. Coverage included for:

(Coverage applies only where checked)

		LIMIT
Maximum Per Occurrence Limit for all Coverages Combined		\$5,000,000

		LIMIT	DED/SIR
X	Personal Injury (Including Bodily Injury and Property Damage)	\$5,000,000	\$1,000
	Broadcasters Liability		
	Educators Legal Liability		

X	Public Officials Errors and Omissions	\$5,000,000	\$1,000
	Nonprofit Directors and Officers Liability		
	Employment Practices Liability		
	Nose Coverage	Retro Date:	

	Owned Automobile Liability		
	Uninsured Motorist Coverage		
X	Non-Owned and Hired Automobile Liability	\$1,000,000	\$1,000

Annual Aggregate Limits		LIMIT
X	Products / Completed Operations	\$5,000,000
	Public Officials Errors and Omissions	
	Nonprofit Directors and Officers Liability	
	Employment Practices Liability	

*\*See last page for additional information.*

## SLIP Proposal

**SUBLIMITS:**

(Coverage applies only where checked)		LIMIT	DED/SIR
X	Fire Damage Liability (Sublimit of Personal Injury/property Damage Coverage Limit) Capped at \$1,000,000	\$1,000,000	\$1,000

**Special Endorsements**

- Limits are exhausted by Indemnity and Defense Cost.
- Limits are Per Occurrence.
- There is no General Aggregate.
- Limits apply to each entity in the program.
- Quote is subject to signed and completed SLIP application
- Exclude all operations of Las Galinas Valley Sanitary District and Sausalito- Marin City Sanitary District.
- Any additions to the JPA must be submitted for rating and approval before the entity will be added to the insurance coverage.

**\*\*This QUOTATION is subject to review and possible re-rating if there are any significant changes in operations, exposure or experience prior to carrier binding. Such significant changes include, but are not limited to, any declared or potential occurrence series, claims series or batch notices by or to the insured.\*\***

**ANNUAL PREMIUM:**

\* Taxes, surplus lines fee and brokerage fees are included.

**Option Three- \$5MM Limit**

**Premium: \$26,363.00**  
 Taxes: \$790.89  
 Stamp Fee: \$52.73  
 Broker Fee: \$3,031.75  
 MGA Service Fee: \$659.08  
**Total Cost: \$30,897.44**

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**MGA Service Fee is 100% earned.**

**Mid-term cancellations could have a short-rate penalty applied to the return premium.**

**TRIA OPTION:** 5% of premium plus applicable taxes and fees.

**MINIMUM EARNED:** 25% of the annual premium

**SUBJECT TO AUDIT:** NO

**SLIP Proposal**

**MAJOR EXCLUSIONS: (Including but not limited to)**

- Fiduciary Liability
- Breach of Contract
- Workers' Compensation
- Asbestos
- Auto Liability (unless Owned Auto coverage provided)
- Uninsured Motorist coverage except if Auto Liability marked X'd above, or unless coverage specifically requested and in file
- Failure to Supply
- Pollution Except for Hostile Fire and Vehicle Upset / Overturn coverage
- Inverse Condemnation / Eminent Domain
- Care, Custody, and Control
- Medical Payment Coverage
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**CLAIMS REPORTING:** Please contact Alliant to report claims. Program and Deductible loss adjustment will be provided by Carl Warren Co.

**PROPOSAL DATE:** February 8, 2017

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- Travel to any state not previously disclosed.
- Mergers and/or acquisition of new companies and any change in business ownership, including percentages.
- Any newly assumed contractual liability, granting of indemnities or hold harmless agreements.
- Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed or occupied
- Circumstances which may require an increased liability insurance limit.
- Any changes in fire or theft protection such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to the system.
- Immediate notification of any changes to a scheduled of equipment, property, vehicles, electronic data processing, etc.
- Property of yours that is in transit, unless previously discussed and/or currently insured.

**Certificates / Evidence of Insurance**

- A certificate is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by a policy. Nor does it constitute a contract between the issuing insurer(s), authorized representative, producer or certificate holder.
- You may have signed contracts, leases or other agreements requiring you to provide this evidence. In those agreements, you may assume obligations and/or liability for others (Indemnification, Hold Harmless) and some of the obligations that are not covered by insurance. We recommend that you and your legal counsel review these documents.

In addition to providing a certificate of insurance, you may be required to name your client or customer on your policy as an additional insured. This is only possible with permission of the insurance company, added by endorsement and, in some cases, an additional premium.

By naming the certificate holder as additional insured, there are consequences to your risks and insurance policy including:

- Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limit.
- Your policy may provide higher limits than required by contract; your full limits can be exposed to the additional insured.
- There may be conflicts in defense when your insurer has to defend both you and the additional insured.



**INSURANCE SUPPLEMENT**

AGENCY	APPLICANT/NAMED INSURED	
POLICY NUMBER	CARRIER	NAIC CODE

**POLICYHOLDER DISCLOSURE  
NOTICE OF TERRORISM INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury - in concurrence with the Secretary of State, and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

**Acceptance or Rejection of Terrorism Insurance Coverage**

- I hereby elect to purchase terrorism coverage for a prospective premium of \$ \_\_\_\_\_.
- I hereby decline to purchase terrorism coverage for certified acts of terrorism. I understand that I will have no coverage for losses resulting from certified acts of terrorism.

_____	_____	_____
Policyholder/Applicant's Signature	Print Name	Date
_____	_____	_____
Policyholder/Applicant's Signature	Print Name	Date
_____	_____	_____
Policyholder/Applicant's Signature	Print Name	Date
		_____
		Effective Date

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**NOTICE:**

- 1. THE INSURANCE POLICY THAT YOU ARE APPLYING TO PURCHASE IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED “NONADMITTED” OR “SURPLUS LINE” INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR “SURPLUS LINE” BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC’S INTERNET WEB SITE AT [WWW.NAIC.ORG](http://WWW.NAIC.ORG)**
- 5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE’S DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**
- 6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC’S INTERNATIONAL**

**INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR "SURPLUS LINE" BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**

**7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: WWW.INSURANCE.CA.GOV.**

**8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.**

**Date:** \_\_\_\_\_

**Insured:** \_\_\_\_\_

**D-1 (Effective July 21, 2011)**