

RESOLUTION NO. 738

A RESOLUTION DETERMINING UNPAID ASSESSMENTS  
AND PROVIDING FOR ISSUANCE OF BONDS

SEAL COVE AREA COLLECTION SYSTEM IMPROVEMENT PROJECT  
MONTARA SANITARY DISTRICT

RESOLVED, by the Sanitary Board (the "Board") of the Montara Sanitary District (the "District"), in the County of San Mateo (the "County"), State of California, that

WHEREAS, the Board has provided in proceedings conducted pursuant to its Resolution of Intention No. 576, adopted on September 19, 1983, as amended, for the levy of assessments to finance the acquisitions and improvements described therein (the "Project") and for the issuance of serial bonds to represent the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the Streets and Highways Code of the State of California (the "Act");

WHEREAS, a complete list of all unpaid assessments has been made by the Clerk of the District as Collection Officer and filed with the Treasurer of the District (the "Treasurer");

WHEREAS, a copy of said list of unpaid assessments is attached hereto and the Board has considered said list and has determined that the same is an accurate statement thereof;

NOW, THEREFORE, THE BOARD HEREBY DETERMINES AND ORDERS, as follows:

Section 1. List of Unpaid Assessments. That the assessments now remaining unpaid are as shown on said list of unpaid assessments and on Exhibit "A" attached hereto and by this reference made a part hereof, that the aggregate amount thereof is \$590,581.13, and that for a particular description of the lots or parcels of land bearing the respective assessment numbers set forth in said list of unpaid assessments, reference is hereby made to the assessment and to the diagram recorded in the office of the District Engineer of the District and in the office of the County Surveyor of the County, after confirmation by the Board.

Section 2. Issuance of Bonds. Bonds aggregating \$590,581.13 in principal amount shall be issued upon the security of said unpaid assessments in accordance with the provisions of the Act and under and pursuant to the provisions of said Resolution of Intention, as amended, and the proceedings thereunder duly had and taken, shall be issued in

fully registered form, shall be known as "Improvement Bonds, Montara Sanitary District, Seal Cove Area Collection System Improvement Project, Series 1986-1" (the "Bonds" and singularly the "Bond"), be dated June 2, 1986, be numbered as determined by the Agent hereinafter designated, be of the denomination of \$1,000 or an integral multiple thereof (except that one Bond of the earliest maturity may be of a different denomination, as necessary), and mature in the principal amounts and on the dates set forth in Exhibit "B" attached hereto and by this reference made a part hereof.

Section 3. Interest. The Bonds shall bear interest at the rate or rates determined by the Board at the time of award of sale thereof (not to exceed twelve percent (12%) per annum), payable commencing on March 2, 1987, and thereafter semiannually on March 2 and September 2 in each year to maturity or the date of prior redemption thereof. The Bonds shall bear interest from the interest payment date next preceding the date of authentication and registration thereof, unless authenticated and registered as of an interest payment date, in which event from such interest payment date, or, unless authenticated and registered prior to March 2, 1987, in which event from their date.

Each Bond will continue to bear interest after maturity at the rate stated therein, provided it is presented at maturity and payment thereof is refused on the sole ground that there are not sufficient moneys in the Redemption Fund with which to pay same. If it is not presented at maturity, interest thereon will run only until maturity.

Section 4. Bonds Payable. The principal of the Bonds and any redemption premium shall be payable in lawful money of the United States of America at the Corporate Agency Service Center of Bank of America National Trust and Savings Association, San Francisco, California, or its successor, as Registrar, Transfer Agent and Paying Agent (the "Agent"), upon surrender of the Bonds at said office of the Agent. Interest shall be payable by check or draft mailed to the owner of record at the address of said owner as it appears in the Registration Records maintained by the Agent, or to such address as may have been filed with the Agent for that purpose, as of the close of business of the 15th day next preceding each interest payment date.

Section 5. Form of Bonds. The Bonds shall be substantially in the form set forth in Exhibit "C" attached hereto and by this reference made a part hereof, the blank spaces therein to be filled-in to conform to the provisions of this Resolution. Any portion of the text of any Bond may be set forth on the reverse thereof with an appropriate reference thereto on the face of the Bond.

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the District by the engraved, printed or lithographed facsimile signature of the Treasurer and of the Secretary of the District and a facsimile of the corporate seal of the District shall be affixed to the Bonds in like manner, provided that the signatures of said officers and the seal of the District on any temporary Bond may be manually affixed thereto.

Only Bonds authenticated and registered by the endorsement thereon of a certificate substantially in the form set forth in Exhibit "C" hereof and executed by an authorized signature of the Agent shall be valid and become obligatory for any purpose, and every such certificate of the Agent upon any such Bond shall be conclusive evidence that the Bond so authenticated and registered has been duly issued hereunder and that the registered owner is entitled to the benefits of the Act and this Resolution.

If any officer whose signature appears on the Bonds ceases to be such officer before the delivery of the Bonds, such signature shall be as valid as if such officer had remained in office until the delivery of the Bonds.

Section 7. Preparation of Bonds. The Treasurer is hereby directed to cause bonds of a quality usually required by purchasers of municipal bonds to be prepared in accordance with this Resolution and the purchase contract for the Bonds, and upon their completion to deliver same to the Agent for safekeeping until ready for authentication and delivery to the purchaser thereof. The Treasurer shall also cause a suitable quantity of blank Bonds to be prepared which the Agent shall hold in safekeeping until needed to effect transfers, exchanges or replacement of lost, stolen or mutilated Bonds.

Until definitive Bonds shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Bonds and subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the Treasurer, one or more typed, printed, lithographed or engraved temporary Bonds in fully registered form, as may be authorized by the Treasurer, substantially of the same tenor, with such insertions, omissions, substitutions and other variations as the Treasurer may deem appropriate, and, until exchanged for definitive Bonds, entitled and subject to the same benefits and provisions of this Resolution as definitive Bonds. If the District issues one or more temporary Bonds it will execute and furnish definitive Bonds without unnecessary delay and thereupon the temporary Bonds shall be surrendered in exchange for such definitive Bonds, without expense to the owner of the Bonds. All temporary Bonds so surrendered shall not be reissued.

If CUSIP identification numbers are assigned by the CUSIP Service Bureau for printing on the Bonds, neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the initial purchaser of the Bonds to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract for the Bonds.

Section 8. Registration Records. The District shall keep records (the "Registration Records") at the named office of the Agent indicating at all times the number, date, denomination, rate of interest, the amount of each interest payment and the names, addresses

and social security or other tax identification numbers of the owners of the outstanding Bonds that have been authenticated and registered by the Agent. The Agent shall, under such reasonable regulations as the District and Agent may prescribe, authenticate and register or transfer or cause to be authenticated and registered or transferred, on said Records, the Bonds as herein provided.

The Bonds shall be registered only in the name of an individual (including joint owners), a corporation, a partnership or trust.

The Agent shall cancel or cause to be canceled on the Bond Registration Records each Bond paid or surrendered for transfer and exchange.

The information contained in the Registration Records with regard to the ownership of or security interests in the Bonds shall not be subject to inspection or copying by the public as provided in Section 5060(a) of Chapter 1.5 of Division 6 of Title 1 of the Government Code of the State of California, provided that such Records shall be open for inspection by the District during reasonable business hours.

**Section 9. Delivery of the Bonds.** Upon the execution, authentication and registration of the Bonds, and upon compliance with the terms of the purchase contract for the Bonds, the Treasurer shall deliver the Bonds to the purchaser thereof upon receipt of the purchase price therefor.

The officers of the District executing the Bonds are hereby charged with the responsibility for the issuance and delivery of the Bonds. Said officers and other members of the District staff are hereby authorized jointly and severally to execute any and all documents and do any and all things deemed necessary or advisable in order to consummate the delivery of the Bonds pursuant to the purchase contract therefor and otherwise to effectuate the purposes of this Resolution.

The Treasurer is authorized to determine the amount and use of the proceeds of the Bonds and to certify for the District facts, estimates and reasonable expectations, and to covenant for the District with respect thereto, as in the determination of the Treasurer may be necessary to establish and maintain the exemption of the interest on the Bonds from federal income taxation, and any such covenant shall be as binding on the District as though set forth in this Resolution.

**Section 10. Improvement Fund.** There is hereby created a special fund, herein called "Improvement Fund", to be designated and maintained by the Treasurer as a separate trust account, distinct from all other accounts of the District. The moneys to be placed in the Improvement Fund consist of:

(a) Moneys received by the District from any cash payments of assessments prior to the issuance of the Bonds;

(b) The proceeds received from the sale of the Bonds, including any premium received thereon, but not including the moneys required to be placed in the Reserve Fund or any capitalized interest or accrued interest which shall be placed in the Redemption Fund; and

(c) Contributions or other appropriations pertaining to the Project.

Disbursement from the Improvement Fund shall be made to pay the costs of the Project, except for the funding of the Reserve Fund and any capitalized interest.

Any surplus remaining in the Improvement Fund after payment of all of said costs shall be used, in such amounts as the Board may determine, in accordance with the provisions of law for one or more of the following purposes:

(i) Transfer to the general fund of the District, provided that the amount of any such transfer shall not exceed the lesser of \$1,000 or 5% of the total amount expended from the Improvement Fund;

(ii) As a credit upon the assessment and/or any supplemental assessment, provided that such surplus may, if the Board so determines, also be applied as a credit to the District or any local, state or national agency or authority which shall have made a contribution towards the costs of the Project in the proportion that such contribution bears to the total amount of the assessment or supplemental assessment prior to the deduction of all of such contributions; or

(iii) For the maintenance of said improvements.

Section 11. Redemption Fund. There is hereby created a special fund, herein called "Redemption Fund", to be designated and maintained by the Treasurer as a separate trust account, distinct from all other accounts of the District. The moneys to be placed in the Redemption Fund consist of:

(a) Any accrued interest received by the District from the sale of the Bonds;

(b) Any sum included as a Project cost for capitalized interest;

(c) Moneys received by the District from the collection on the tax roll of the principal of the unpaid assessments and the interest and penalties thereon, as provided in Section 16 hereof;

(d) Any amounts transferred from the Reserve Fund as advances on account of delinquencies in the payment of installments of the

assessments which remain unpaid and the interest thereon, pursuant to Section 12(a) hereof;

(e) Any amounts advanced by the District from available surplus funds of the District on account of delinquencies in the payment of installments of the unpaid assessments and the interest thereon, pursuant to Section 17 hereof;

(f) Any amounts recovered by the District from foreclosure of delinquent installments of unpaid assessments and the interest thereon which are not to be used to reimburse the Reserve Fund or the District for any advances made under Sections 12(a) and 17 hereof;

(g) Any amounts received by the District to prepay in full any unpaid assessments, which amounts are to be applied to the advance retirement of the Bonds, in the manner set forth in the Act and Section 19 hereof;

(h) Any amounts transferred from the Reserve Fund to be credited as part of said prepayment of assessments, pursuant to Section 12(b) hereof;

(i) Any amounts received by the District from the investment of moneys in the Redemption Fund;

(j) Any amounts transferred from the Reserve Fund on account of excess earnings therein, which amounts are to be applied as credits to unpaid assessments and, under the circumstances hereinafter specified, to the advance retirement of the Bonds; and

(k) Any amounts transferred from the Improvement Fund on account of surplus amounts therein which amounts, after proportionate payments to any property owners whose assessments were paid in cash, are to be applied as credits to the assessments which remain unpaid, unless the Board determines to apply such surplus otherwise as provided in Section 10 hereof.

Amounts placed in the Redemption Fund (except amounts placed therein in connection with the prepayment of assessments and amounts received from the investment of moneys in the Redemption Fund) are to be expended in payment of the principal of and interest on the Bonds within thirteen (13) months from the date of deposit therein (except for a reasonable carryover amount not to exceed the greater of one year's earnings on said Fund or one-twelfth of annual debt service of the Bonds), and amounts that can not be so expended are to be applied at the earliest call date to the advance retirement of the Bonds.

Amounts placed in the Redemption Fund from investment earnings on moneys in said Fund are to be spent within a 1-year period beginning on the date of receipt in payment of the principal of and interest on the Bonds, and, if not expended for such purpose, by applying same at the earliest redemption date to the advance retirement of the Bonds.

Amounts placed in the Redemption Fund which are to be used to call Bonds in advance of their stated maturities shall be accumulated therein until the amount available equals or exceeds the amount required to call and redeem one or more of the Bonds, and, subject to the provisions of Section 19 hereof, are to be expended on the next ensuing March 2 or September 2 in payment of the principal, redemption premium and interest payable on that date, and the expenses of redemption.

Any surplus remaining in the Redemption Fund after payment of all of the Bonds and the interest thereon shall first be applied to repayment to the District of any special taxes levied by the District for the purpose of paying for lands purchased by the District under Part 13 of the Act, less its recovery on the lands purchased at such delinquent sale, and also of any costs incurred by the District thereunder. The remainder shall be repaid in accordance with the provisions of Section 8783 of the Act to persons paying supplemental assessments, if any, and the balance may be proportionately credited upon the final installments due upon the assessments securing the Bonds and repaid to those persons whose assessments have been previously paid or may be transferred to the general fund of the District.

**Section 12. Reserve Fund.** There is hereby created a special fund, herein called "Reserve Fund", to be designated and maintained by the Treasurer as a separate trust account, distinct from all other accounts of the District. An amount equal to Thirteen Percent (13%) of the principal amount of the Bonds shall be placed in the Reserve Fund upon receipt of the proceeds of the sale thereof. Moneys in the Reserve Fund shall constitute a trust fund for the benefit of the owners of the Bonds.

Any income realized from the investment of moneys in the Reserve Fund shall be credited thereto, provided that in order to assure that the Bonds do not become arbitrage bonds, as defined in the Internal Revenue Code of 1954, as amended, the Reserve Fund shall be administered so that at no time does the amount therein exceed the lesser of:

- (i) The maximum annual debt service of all Bonds outstanding;
- (ii) One and one-quarter (1.25) times the average annual debt service of all Bonds outstanding; or
- (iii) Fifteen percent (15%) of the principal amount of the Bonds originally issued, except that if the total amount of proceeds received from the sale of the Bonds (including accrued interest) is less than ninety-eight percent (98%) of the principal amount of the Bonds originally issued, then fifteen percent (15%) of such proceeds.

Moneys in the Reserve Fund shall be paid and transferred in the following amounts and at the following times and under any of the following circumstances:

(a) Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal or interest on the Bonds due to delinquent installments of assessments, an amount necessary to pay such deficiency shall be transferred as an advance from the Reserve Fund to the Redemption Fund. The amount so advanced shall be reimbursed and deposited in the Reserve Fund from the proceeds of redemption or sale of the parcel for which payment of delinquent installments was made from the Reserve Fund.

(b) Any unpaid assessment which is paid in cash prior to its final maturity date pursuant to the provisions of the Act for the advance payment of assessments shall be proportionately reduced by an amount equal to the ratio of the total amount initially provided for the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds, and an amount equal to the reduction in said assessment shall be transferred from the Reserve Fund to the Redemption Fund.

(c) Any income realized from the investment of moneys in the Reserve Fund which would cause the foregoing limitations to be exceeded shall be placed in the Redemption Fund and credited in the manner set forth in Section 10427.1 of the Streets and Highways Code of the State of California upon the remaining unpaid assessments; provided that, in order to comply with current federal regulations, any excess that cannot be credited to such unpaid assessments and expended within thirteen (13) months from the date of deposit in the Redemption Fund (except for a reasonable carryover amount not to exceed the greater of one year's earnings on the Redemption Fund or one-twelfth of annual debt service of the Bonds) shall be applied to the advance retirement of the Bonds in the manner provided in the Act and in Section 19 hereof. Administration of the Reserve Fund shall comply with federal regulations.

(d) Whenever the balance in the Reserve Fund is sufficient to retire all the remaining outstanding Bonds, including accrued interest and redemption premium, if any, collection of the principal and interest on the unpaid assessments shall be discontinued and the Reserve Fund shall be liquidated in retirement of the Bonds. The Board shall order the same to be credited against the remaining unpaid assessments in the manner set forth in Section 10427.1 of said Streets and Highways Code, and the amount apportioned to each such unpaid assessment shall be credited against the last unpaid assessment installment, and, if the amount apportioned to each such parcel exceeds the amount of said last installment, then such excess shall be credited against the next preceding unpaid assessment installment or installments until exhausted. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all outstanding Bonds, the excess shall be apportioned to each parcel upon which the individual assessment remained unpaid at the time the balance in the Reserve Fund was sufficient to retire all outstanding Bonds. The payments shall be made in cash to the respective owners of the parcels except that, if the excess is not

greater than one thousand dollars (\$1,000), the excess may be transferred to the general fund of the District.

Section 13. Registration Expense Fund. There is hereby created a special fund, herein called "Registration Expense Fund", to be designated and maintained by the Treasurer as a separate trust account, distinct from all other accounts of the District. Any amount included as a Project cost in the aforementioned proceedings to reimburse the District for its expenses in administering and maintaining its registration system for the Bonds shall upon receipt of the proceeds of the Bonds be transferred forthwith from the Improvement Fund and placed in the Registration Expense Fund. Fees or charges incurred by the District payable to the Agent in satisfaction of the District's liability to the Agent for the Agent's services in performing the duties of the registration system described herein, shall be paid from the Registration Expense Fund. Such fees or charges, not paid from the proceeds of the Bonds, cash payment of assessments or investment earnings on moneys in the Registration Expense Fund shall be reimbursed or satisfied by the collection of such fees or charges or estimates thereof with the principal of and interest on the assessments which remain unpaid at the time of such collection and which pertain to the Bonds. The amount of any such collection shall be apportioned pro rata among such assessments remaining unpaid at the time of such collection. Such amounts shall be collected with the same collection and enforcement procedures and with the same priority and effect as with respect to the collection of the principal of and interest on the unpaid assessments and shall be placed in the Registration Expense Fund and expended as aforesaid.

Section 14. Investment of Funds. Moneys in the Improvement Fund, the Redemption Fund, the Reserve Fund and the Registration Expense Fund may be invested in any obligations which are then authorized by the laws of the State of California as investments for local agencies, maturing on a date or dates prior to the need for such moneys. Any income or interest thereon shall accrue to and be deposited in the fund from which the invested moneys originated, subject to the limitation in Section 12 hereof with respect to the Reserve Fund.

Section 15. Certain Covenants. The District covenants with the owners of all the Bonds at any time outstanding that it will make no use of the proceeds of the Bonds or of other funds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954. To that end, as long as any of the Bonds are outstanding, the District, with respect to the proceeds of the Bonds and other funds, shall comply with all requirements of said Section 103(c) and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

The District further covenants with the owners of all the Bonds at any time outstanding that it will make no use of the proceeds of the

Bonds or of other funds, or take any other action, which will cause the Bonds to be "federally guaranteed" and as a result subject to federal income taxation by reason of Section 103(h) of the Internal Revenue Code of 1954, as amended. To that end, as long as any of the Bonds are outstanding, the District, with respect to the proceeds of the Bonds and other funds, and in all other respects, shall comply with all requirements of said Section 103(h) and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

The District further covenants with the owners of all the Bonds at any time outstanding that it will make no use of the proceeds of the Bonds or of other funds, or take any other action, which will cause the Bonds to be "consumer loan bonds" subject to federal income taxation by reason of Section 103(o) of the Internal Revenue Code of 1954, as amended. To that end, as long as any of the Bonds are outstanding, the District, with respect to the proceeds of the Bonds and other funds, and in all other respects, shall comply with all requirements of said Section 103(o) and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

The District further covenants with the owners of all the Bonds at any time outstanding that as long as H.R. 3838, the Tax Reform Act of 1985 as passed by the House of Representatives on December 17, 1985, as amended, or similar legislation (the "Tax Act") remains proposed legislation, the District, in order that interest on the Bonds shall be and remain exempt from federal income taxation, will comply with the terms of the Tax Act as applicable, and, in the event the Tax Act becomes law, will comply with the Tax Act, as applicable, provided, however, that the District shall not be required to comply with the Tax Act if the District receives an opinion of counsel of recognized standing in the field of law relating to municipal bonds and the tax-exempt nature of interest on municipal bonds to the effect that non-compliance will not subject interest on the Bonds to federal income taxation.

The District further covenants with the owners of all the Bonds at any time outstanding that it will order and cause to be commenced and diligently prosecuted to completion, court foreclosure proceedings upon the lien of any and all delinquent assessments and interest, pursuant to and as provided in Part 14 of the Act. Such foreclosure proceedings shall be commenced within 150 days following the date of such delinquency.

**Section 16. Collection of Unpaid Assessments.** The unpaid assessments shown on the list of unpaid assessments filed with the Treasurer and included as Exhibit "A" herein, together with the interest thereon, shall remain and constitute a trust fund for the redemption and payment of the principal of the Bonds and for the interest due thereon.

The provisions of Part 11.1 of the Act are applicable to the collection of unpaid assessments. Pursuant thereto, an annual installment of the unpaid assessments shall be payable and be collected in each year corresponding in amount to the amount of the Bonds unpaid and to accrue that year, and which shall be sufficient to pay the Bonds when due, and such annual installments of unpaid assessments coming due in any year together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes of the District on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property of the District.

Whenever an owner elects to pay off an unpaid assessment pursuant to said Part 11.1, the Treasurer shall collect from such owner the total of the following sums:

(a) The amount of any delinquent installments of principal and interest, together with the penalties, interest and costs due thereon;

(b) Any installment of principal and interest which has been posted to the tax roll for the current fiscal year;

(c) The unpaid balance of principal thereof, plus Three Percent (3%) of said balance;

(d) An amount to be fixed by the Treasurer for the costs of calling Bonds and

(e) Interest to the date of call on the amount of principal to be used for call, less the amount of interest in subsection (b) hereof. If the amount of principal available for call is in excess of the amount for which Bonds may be called pursuant to Section 19 hereof, additional interest shall be collected on the excess for an additional six months. If the amount of principal available for call is insufficient to call Bonds, six months' additional interest shall be collected on the amount of said principal.

A record of the several installments of principal and interest on said unpaid assessments which are to be collected in each year during the term of the Bonds shall be kept in the office of the County Auditor-Controller. Sums received from the collection of the principal of said unpaid assessments and of the interest and penalties thereon shall be placed in the Redemption Fund. Any sums collected to represent the costs of such collection shall be retained by the County and any sums collected which represent fees and charges imposed by the District to provide for reimbursement of the expenses of its registration system, pursuant to Section 13 hereof, shall be placed in the Registration Expense Fund.

Section 17. Advances from Available Surplus Funds. In the event of a delinquency in the payment of any installment of the assessment levied upon any property for the payment of the principal of and interest on the Bonds, the District in the absence of any other bidder, shall be the purchaser of delinquent property upon which any of said assessments are levied in like manner in which it becomes, or may become, the purchaser of property sold for the nonpayment of general District taxes, and shall pay and transfer from available surplus funds into the Redemption Fund the amount of any delinquent assessment installment and interest thereon. The District shall also pay and transfer from available surplus funds into the Redemption Fund the amount of any future delinquent assessment and interest thereon on such property pending redemption. Any amounts so advanced shall be recoverable upon sale or redemption of the property.

Section 18. Transfer and Exchange of Bonds. Any duly authenticated Bond may, in accordance with its terms, be transferred upon the Registration Records required to be kept pursuant to Section 8 hereof by the registered owner or by attorney duly authorized in writing upon surrender of the Bond to be transferred at the named office of the Agent, duly endorsed or accompanied by a duly executed written instrument of transfer satisfactory to the Agent. The Agent shall forthwith cancel the Bond surrendered for transfer and the District shall execute and the Agent shall authenticate and issue in the name of the transferee one or more new fully registered Bonds of like maturity and of authorized denominations, aggregating the principal amount of the Bond surrendered for transfer.

Any duly authenticated Bond may, in accordance with its terms, be exchanged at the named office of the Agent for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations.

For any registration, transfer or exchange of Bonds (except initial registration and authentication of Bonds being delivered to the original purchaser thereof), the District or Agent may, as a condition precedent to the exercise of such privilege, require payment of a sum sufficient to cover any service charge, tax or other governmental charge and any other reasonable expenses that may be imposed in connection therewith.

The District and the Agent may deem and treat the person in whose name any outstanding Bond shall be registered upon the Bond Registration Records as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of or on account of the principal or redemption price, if any, and interest on such Bond and for all other purposes. All such payments so made to any such registered owner shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the District nor the Agent shall be affected by any notice to the contrary.

The Agent shall not transfer or exchange any Bond which the District has selected for redemption, provided that the Agent has been notified that such Bond is being redeemed, nor shall any transfer or exchange of a Bond be required to be made between the 15th day next preceding an interest payment date and such interest payment date.

Each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

**Section 19. Redemption of Bonds.** Subject to the provisions hereof, each Bond outstanding may be redeemed and paid in advance of maturity, in whole or in part, upon the second day of March or September in any year by giving at least 60 days notice by registered mail to the registered owner thereof and by paying the principal amount to be redeemed together with a premium equal to Three Percent (3%) of such principal amount plus interest to the date of advanced maturity, unless sooner surrendered, in which event said interest will be paid to the date of payment, all in the manner provided herein and in the Act.

Any Bond called in part shall be redeemed in multiples of one thousand dollars (\$1,000 ) and a new Bond or Bonds of like maturity and of authorized denominations, representing the remaining portion of the Bond so redeemed, will be issued without expense to the registered owner thereof.

The provisions of Part 11.1 of the Act are applicable to the prepayment of assessments (as provided in Section 16 hereof) and to the advance retirement of the Bonds.

If the amount of any prepayment of assessments along with prepayments of other assessments and other available moneys in the Redemption Fund is sufficient to provide surplus moneys with which to redeem an outstanding Bond not due on the next succeeding second day of September, the Treasurer shall then give the proper notice for redeeming such Bond by advancing its maturity as provided herein. In selecting Bonds or portions thereof for retirement, the Treasurer shall choose the lowest numbered Bond of the annual series midway to the end of the Bond term. Successive Bonds shall be chosen from the lowest number of each annual series before and after the series from which the first Bond is selected, so that Bonds called shall be a pro rata part of each annual series. It is intended that the relationship of unpaid assessments to Bonds outstanding be disturbed as little as possible by the call of Bonds.

At such time as a determination has been made to call and redeem a Bond or portion thereof in advance of maturity, the Treasurer shall:

(a) Request from the Agent a list of the names and addresses of the registered owners of the Bonds and the numbers, denominations and maturities of the Bonds held by such owners;

(b) Immediately notify the Agent of the Bond selected for redemption and that thereafter no transfer or exchange of such Bond will be permitted by the District, and provide written notice to the Agent of the terms of redemption;

(c) Give written notice by registered mail to the registered owner of the Bond to be called in whole or in part not less than sixty days (60) days prior to the date of redemption; and

(d) Prior to the redemption date, provide sufficient funds to the Agent to redeem such Bond or portion thereof, including premium and interest not otherwise provided.

The District shall be liable for the Agent's reasonable charges, if any, with respect to providing the information referred to herein.

Section 20. Mutilated, Destroyed or Lost Bonds. In case any Bond shall become mutilated or defaced in respect of the body of such Bond so as to impair its value to the registered owner, or shall be believed by the District and Agent to have been destroyed or lost, upon clear and unequivocal proof of ownership satisfactory to the District and Agent and upon the surrender at the named office of the Agent of such mutilated or defaced Bond sufficiently identifiable by number and description, or upon the receipt of evidence satisfactory to the District and Agent of such destruction or loss, and upon payment of all expenses incurred by the District and Agent in the premises and after compliance with such other reasonable regulations as the District and Agent may prescribe, and, in the case of a Bond claimed to have been destroyed or lost, upon receipt of indemnity satisfactory to the District and Agent, and in the absence of notice to the District or Agent that such Bond has been acquired by a bona fide purchaser, the District shall execute and the Agent shall authenticate and deliver at the named office of the Agent a new Bond of like maturity and principal amount, bearing a number not contemporaneously outstanding, in exchange and substitution for and upon cancellation of the mutilated or defaced Bond, or in lieu of and in substitution for the Bond so destroyed or lost. If any such destroyed or lost Bond has become or is about to become due and payable, payment of the amount due thereon may, in the discretion of the District, be made by the Agent upon receipt of like proof, indemnity and payment of expenses without surrender of such Bond.

Any such replacement Bond issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The District and the Agent shall not be required to treat both the original Bond and any replacement Bond as being outstanding, but both the original and replacement Bond shall be treated as one and the same.

Section 21. Additional Bonds. The District may increase all or some of the assessments and issue additional bonds, secured by unpaid assessments, with the same priority as the Bonds, pursuant to appropriate change and modification proceedings taken for the purposes provided in the proceedings under and pursuant to the aforementioned Resolution of Intention No. 576, as amended, of the District, provided that no additional bonds with the same priority as the Bonds will be issued if the total assessment indebtedness represented by the Bonds outstanding plus the bonds proposed to be issued exceeds 40% of the appraised value of assessed land (based on a current appraisal) on a parcel by parcel basis; however, such assessment indebtedness may exceed such limit on parcels which, in the opinion of the District and the original purchaser of the Bonds, are considered, in light of the circumstances, to adequately secure such assessments.

Section 22. Refunding Bonds. The Bonds may be refunded upon determination of the Board that the public interest or necessity requires the refunding of the Bonds and the levy of reassessments as security for the refunding bonds. Such refunding may be undertaken by the Board when, in its opinion, relief may be provided to the owners of the property assessed from extraordinarily high interest rates on the Bonds to be refunded. Said refunding bonds shall bear interest at the rate of not to exceed the rate set forth in the resolution of intention to refund the Bonds, the last installment of which said refunding bonds shall mature not to exceed twenty-four (24) years from the second day of September next succeeding twelve (12) months from their date. Any adjustments to assessments resulting from such refunding shall be done on a pro rata basis.

Section 23. Certified Copies. The Secretary of the District shall provide a certified copy of this Resolution to the Treasurer who shall take such action as shall be necessary to assure compliance by the District with the terms hereof. The Secretary shall also provide a certified copy of this Resolution to the County Auditor-Controller.

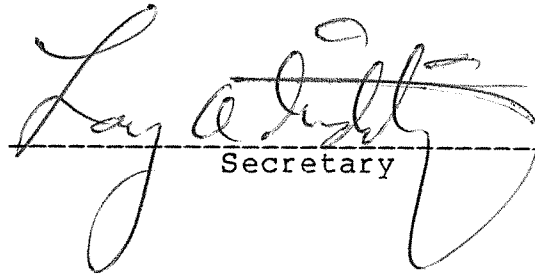
\* \* \* \* \*

I hereby certify that the foregoing resolution was duly and regularly passed and adopted by the Sanitary Board of the Montara Sanitary District, San Mateo County, California, at a meeting thereof duly held on the 19th day of May, 1986, by the following vote:

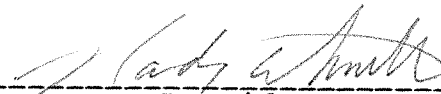
AYES, and in favor thereof, Directors:  
Giddings, Smith, Leger, Shapira

NOES, Directors: None

ABSENT, Directors: None

  
-----  
Secretary

APPROVED:

  
-----  
President

LIST OF UNPAID ASSESSMENTS

SEAL COVE AREA COLLECTION SYSTEM IMPROVEMENT PROJECT  
MONTARA SANITARY DISTRICT

<u>Diagram and Assessment Number</u>	<u>Assessor's Parcel Number</u>	<u>Unpaid Assessment</u>
2	037-215-070	\$ 5,989.37
4	037-215-100	5,989.37
13	037-223-140	2,993.71
14	037-223-150	2,454.84
15	037-223-160	2,454.84
18	037-224-010	5,989.37
20	037-224-050	2,993.71
21	037-224-090	2,993.71
23	037-224-130	2,993.71
24	037-224-140	2,993.71
26	037-251-030	5,989.37
34	037-253-030	2,993.71
35	037-253-040	2,993.71
36	037-253-090	2,993.71
37	037-253-100	2,993.71
38	037-253-110	2,993.71
44	037-255-060	2,454.84
46	037-255-080	2,993.71
47	037-255-110	4,911.28
48	037-255-120	4,911.28
49	037-255-160	5,989.37
54	037-255-210	5,989.37
55	037-255-220	4,911.28
56	037-255-240	2,993.71
57	037-256-020	2,993.71
58	037-256-070	2,993.71
59	037-256-080	2,993.71
60	037-256-100	2,454.84
61	037-256-110	2,454.84
62	037-256-130	2,454.84
63	037-256-140	2,454.84
64	037-256-150	2,454.84
70	037-258-010	5,989.37
71	037-258-020	4,911.28
72	037-258-050	5,989.37
73	037-258-060	4,911.28
74	037-258-070	5,989.37
76	037-258-100	5,989.37
77	037-258-110	5,989.37
80	037-258-170	5,989.37
81	037-258-180	5,989.37
82	037-258-190	5,989.37

Diagram and  
Assessment  
Number

Assessor's  
Parcel Number

Unpaid  
Assessment

83	037-258-210	\$ 5,989.37
84	037-258-230	5,989.37
85	037-258-240	5,989.37
86	037-258-250	5,989.37
87	037-259-010	2,993.71
88	037-259-010	5,989.37
90	037-259-030	2,454.84
93	037-259-090	2,454.84
94	037-259-100	2,454.84
96	037-259-130	4,911.28
98	037-259-150	4,911.28
99	037-259-170	4,911.28
100	037-259-180	5,989.37
101	037-259-200	4,911.28
102	037-259-210	2,993.71
103	037-259-220	5,989.37
104	037-259-250	4,911.28
105	037-259-260	2,454.84
106	037-271-010	4,911.28
114	037-275-010	5,989.37
115	037-275-050	5,989.37
116	037-275-060	4,911.28
117	037-275-080	5,989.37
118	037-275-090	5,989.37
119	037-275-120	5,989.37
120	037-275-130	5,989.37
121	037-275-150	5,989.37
124	037-275-190	4,911.28
125	037-276-010	5,989.37
126	037-276-030	5,989.37
127	037-276-050	5,989.37
128	037-276-060	5,989.37
129	037-276-080	5,989.37
130	037-276-120	5,989.37
131	037-276-130	5,989.37
132	037-277-010	5,989.37
133	037-277-020	5,989.37
134	037-277-030	5,989.37
136	037-277-060	4,911.28
138	037-278-130	4,911.28
139	037-278-030	4,911.28
143	037-278-070	4,911.28
144	037-278-080	5,989.37
146	037-278-110	5,989.37
147	037-279-010	5,989.37
148	037-279-030	4,911.28
149	037-281-040	5,989.37

Diagram and  
Assessment  
Number

Assessor's  
Parcel Number

Unpaid  
Assessment

150	037-281-120	\$ 5,989.37
151	037-281-140	5,989.37
152	037-281-150	5,989.37
154	037-281-170	5,989.37
159	037-282-070	5,989.37
160	037-283-030	5,989.37
163	037-283-060	5,989.37
164	037-283-070	5,989.37
165	037-283-080	5,989.37
166	037-283-090	5,989.37
168	037-283-120	5,989.37
169	037-283-160	5,989.37
170	037-283-180	5,989.37
171	037-283-200	5,989.37
173	037-284-020	4,911.28
174	037-284-030	4,911.28
177	037-284-080	4,911.28
178	037-285-010	5,989.37
179	037-285-040	4,911.28
180	037-285-060	5,989.37
181	037-285-090	4,911.28
182	037-285-100	5,989.37
183	037-285-110	5,989.37
185	037-286-010	4,911.28
186	037-286-030	2,993.71
187	037-286-040	2,993.71
188	037-287-010	2,454.84
189	037-287-020	4,911.28
190	037-287-040	4,911.28
191	037-287-030	4,911.28
192	037-287-050	4,911.28
193	037-288-010	2,454.84
194	037-288-020	<u>2,454.84</u>

Total Unpaid Assessments

\$590,581.13

**MATURITY SCHEDULE**  
 IMPROVEMENT BONDS  
 MONTARA SANITARY DISTRICT  
 SEAL COVE AREA COLLECTION SYSTEM IMPROVEMENT PROJECT  
 SERIES 1986-1

<u>Maturity Date</u> <u>(September 2)</u>	<u>Principal</u> <u>Amount</u>
1987	\$ 10,581.13
1988	10,000.00
1989	10,000.00
1990	10,000.00
1991	10,000.00
1992	10,000.00
1993	10,000.00
1994	10,000.00
1995	10,000.00
1996	30,000.00
1997	30,000.00
1998	30,000.00
1999	30,000.00
2000	40,000.00
2001	40,000.00
2002	40,000.00
2003	75,000.00
2004	85,000.00
2005	<u>100,000.00</u>
	\$590,581.13

BOND FORM. The Bonds shall be substantially in the following form:

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SAN MATEO

REGISTERED

REGISTERED

NO.

\$

IMPROVEMENT BOND  
MONTARA SANITARY DISTRICT  
SEAL COVE AREA COLLECTION SYSTEM IMPROVEMENT PROJECT  
SERIES 1986-1

INTEREST RATE

MATURITY DATE

DATED AS OF

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

Under and by virtue of the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the Streets and Highways Code (the "Act"), the Montara Sanitary District (the "District"), in the County of San Mateo, State of California, will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of the assessments made for the acquisition, work and improvements more fully described in proceedings taken pursuant to Resolution of Intention No. 576, adopted by the Sanitary Board of the District on the 19th day of September, 1983, as amended, pay to the registered owner stated above, or registered assigns, on the maturity date stated above, the principal sum stated above, in lawful money of the United States of America and in like manner will pay interest from the interest payment date next preceding the date on which this bond is authenticated and registered, unless this bond is authenticated and registered as of an interest payment date, in which event it shall bear interest from such interest payment date, or, unless this bond is authenticated and registered prior to March 2, 1987, in which event it shall bear interest from its date, until payment of such principal sum shall have been discharged, at the rate per annum stated above, payable commencing on March 2, 1987, and thereafter semiannually on the second day of March and September in each year.

Both the principal hereof and redemption premium, if any, are payable at the Corporate Agency Service Center of Bank of America

EXHIBIT "C"

National Trust and Savings Association, San Francisco, California, or its successor, as Registrar, Transfer Agent and Paying Agent (the "Agent"), upon surrender of this bond at said office of the Agent, and the interest hereon is payable by check or draft mailed to the owner hereof at the owner's address as it appears on the registration records of the Agent, or at such address as may have been filed with the Agent for that purpose, as of the close of business of the 15th day immediately preceding each interest payment date.

This bond will continue to bear interest after maturity at the rate above stated, provided it is presented at maturity and payment thereof is refused upon the sole ground that there are not sufficient moneys in said redemption fund with which to pay same. If it is not presented at maturity, interest thereon will run until maturity.

This bond is one of several annual series of bonds of like date, tenor and effect (except for such differences as may be required to designate maturities, interest rates and amounts), issued by the District under the Act and the Resolution Providing for Issuance of Bonds (the "Resolution of Issuance") for the purpose of providing means for paying for the acquisition, work and improvements described in said proceedings, and is secured by the moneys in said redemption fund and by the unpaid portion of said assessments made for the payment of said acquisition, work and improvements, and, including principal and interest, is payable exclusively out of said fund.

This bond or any portion of it in the amount of one thousand dollars (\$1,000), or any integral multiple thereof, may be redeemed and paid in advance of maturity upon the second day of March or September in any year by giving at least 60 days notice by registered mail to the registered owner hereof at the owner's address as it appears on the registration records of the Agent, or at such address as may have been filed with the Agent for that purpose, and by paying the principal amount to be redeemed and accrued interest together with a premium equal to three (3) percentum of such principal, unless sooner surrendered, in which event interest will be paid to the date of payment.

This bond is transferable, as provided in the Resolution of Issuance, only upon the registration records of the Agent, upon surrender of this bond duly endorsed or accompanied by a written instrument of transfer satisfactory to the Agent, executed by the registered owner hereof or by attorney duly authorized in writing, including the payment of applicable transfer charges, if any, and thereupon one or more new fully registered bonds of like maturity and of authorized denominations, aggregating the principal amount of this bond, will be issued to the transferee in exchange therefor. No such transfer and exchange of this bond shall be made after the District has notified the Agent of the selection of this bond for redemption, nor shall any transfer and exchange of this bond be required to be made between the 15th day next preceding an interest payment date and such interest payment date. No gain or loss of interest shall result from any such transfer and exchange.

This bond shall be registered only in the name of an individual (including joint owners), a corporation, a partnership or a trust.

The District and Agent may treat the registered owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

This bond shall not be entitled to any benefits under the Act or the Resolution of Issuance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been dated and signed by an authorized signature of the Agent.

IN WITNESS WHEREOF, the Montara Sanitary District has caused this bond to be signed in facsimile by the Treasurer of the District and by its Secretary and has caused its corporate seal to be reproduced in facsimile hereon all as of the second day of June, 1986.

MONTARA SANITARY DISTRICT

-----  
(facsimile)  
Treasurer

-----  
(facsimile)  
Secretary

(facsimile seal)

REGISTRABLE AND PAYABLE BY BANK OF AMERICA  
NATIONAL TRUST AND SAVINGS ASSOCIATION

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This bond is one of the bonds described in the within mentioned Resolution of Issuance and has been authenticated and registered on -----.

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION  
as Registrar, Transfer  
Agent and Paying Agent

By -----  
Authorized Signature



ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

-----  
(Print or typewrite name, address and social security or other tax identifying number of assignee)

the within bond and all rights thereunder, and hereby irrevocably constitute(s) and appoint(s)

-----, attorney, to transfer the same on the registry books of the Registrar, Transfer Agent and Paying Agent with full power of substitution in the premises.

Dated: -----

-----  
Note: Signature(s) must correspond exactly to name(s) on face hereof. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany this assignment.

Signature Guaranty:

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