EXHIBIT B

Mojave Air Quality Management District

Actuarial Valuation of

Post-Retirement Medical Benefits

As of June 30, 2009

May 26, 2009

Actuarial & Financial Consulting
(951) 304-9696

Mojave Air Quality Management District

Post-Retirement Medical Benefits

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Mojave Air Quality Management District

Post-Retirement Medical Benefits

Executive Summary

Since this is the first valuation of the Post-Retirement Medical Benefits, the magnitude of the results may be surprising. The District retiree paid benefit is a percentage of the medical, premiums before age 65 plus the minimum CalPERS monthly requirement of $101 for life subject to inflation. The benefits are therefore comparable to a pension plan. A significant difference here is that pre-65 and CalPERS minimum premiums keep rising with medical inflation. In simplified terms, this plan can be viewed as an employee pension of for example $6,000 a year prior to 65 and $1,212 a year, both subject to future medical inflation.

In the past, the Post-Retirement Medical Benefits have been funded on a "pay as you go" basis which means that as the retiree population grows, the retiree medical cost grows in dollars and also as a percent of payroll. This is in contrast to a funded benefit program that sets aside assets to fund the benefits during the working lifetime of the plan participants. At retirement, the accumulated assets, assuming no unfunded liabilities, provide for the benefit cost and there is no financial effect, other than experience gains or losses, from the stream of retiree medical benefit payments. With a "pay as you go approach", there are no assets to offset liabilities that accumulate over the working lifetime of employees.

As a guide to understanding the nature of plan costs, the following table summarizes the number of plan participants.

	ACTIVE	RETIRED	TOTAL
Under 65	35	5	40
65 & over	0	3	3
	35	8	43

From the above table we can see, there are 43 participants of which retirees represent 18.6%. The number of retirees will likely increase over the next ten years until retiree deaths begin to offset new retirees.

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Executive Summary
(continued)

Key Results
The total liabilities and costs for the Mojave Air Quality Management District are significant with approximately 50% representing prior service cost as of 6/30/2009. Details are provided in the balance of this report. The following table shows the key results.

	Actuarial Accrued Liability		Annual Required Cost
Actives	$1.1 mil	Normal Cost	$ 97,510
Retirees	.3 mil	Amortization of UAAL	92,680 *
Total	**1.4 mil**		**$190,200**

* Amortization of accrued liability over 30 years

Under a separate trust fund arrangement with a 30 year amortization approach, there could be a cashflow shortfall if there are more than expected retirements, unless additional contributions are deposited.

The current active employees' average age is approximately 48 and average past service is 12 years so that we can anticipate between 8 and 15 retirements in the next ten years.

Conclusion

- Since regular retirement for current active employees is allowed as early as age 50 with 20 years of service, the cash flow retiree benefit costs in the next several years could increase substantially due to the number of new retirements as well as inflationary increases.

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Executive Summary
(continued)

- Commencing the funding of the program now could provide investment earnings that would offset retirement costs as well as a buildup of assets to provide for retiree benefit payments in later years.
- If medical inflation is greater than what was assumed for the calculations, then the ARC will increase from the current $190,200 (UAAL amortization over 30 years).
- Since plan benefits are limited to age 65, plus the CalPERS minimum employee contribution for life, the District is shielded to a significant extent from the impact of medical cost increases after age 65.

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Certification

We have completed the Actuarial Valuation for the Mojave Air Quality Management District Post-Retirement Medical Benefits Program as of July 1, 2009. The purpose of the report is to summarize the valuation results of the liabilities and annual costs to fund the program.

The results shown in this report are based upon the employee data and financial information that was provided by the District.

This valuation was performed in accordance with generally accepted actuarial principles and practices under the rules of GASB 45. In my opinion, the valuation utilizes reasonable actuarial assumptions and reflects our best estimate of anticipated experience. To the best of my knowledge, the valuation is complete and accurate and fully and fairly discloses the actuarial position of the plan.

Respectively submitted,

Marvin J. Paull; FSA, FCA, EA, MAAA
Principal

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Summary of Benefit Present Values

Present Value	Active Employees	Retirees	Total
Unfunded Actuarial Accrued Liability	$1,109,090	$312,131	$1,421,221
Future Service Costs	1,404,282	0	1,404,282
Total Present Value of all Future Benefits	**$2,513,372**	**$312,131**	**$2,825,503**

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Amortization of Unfunded Actuarial Accrued Liability

	Actives	Retirees	Total
Unfunded Actuarial Accrued Liability	$1,109,090	$312,131	$1,421,221
Annual Payroll	$2,581,966	0	$2,581,966

Amortization Period	Factor	Amortization		
15	0.094432	$104,734	$29,475	$134,209
20	0.079317	87,970	24,757	112,727
25	0.070663	78,372	22,056	100,428
30	0.065218	72,333	20,357	92,690

Amortization Period	Amortization as a Percent of Payroll		
15	4.1%	1.1%	5.2%
20	3.4%	1.0 %	4.4%
25	3.0%	.9%	3.9%
30	2.8%	.8%	3.6%

MOJAVE DESERT AQMD VALUATION AT 6/30/2009

CALCULATION OF LIABILITY & NORMAL COST

ACTIVE EMPLOYEES

Name	Date of Birth	Att Age	Date of Hire	PS	RA	Spouse Date of Birth	Valuation Current Premium	Pres. Value of Percent of Premium	Pres. Value of Minimum Benefit	Present Value of Future Benefits	Actuarial Accrued Liability	Normal cost
	8/24/1983	26	10/11/2008	1	62	0	387.86	$29,557	$34,494	$64,052	$1,731	$1,731
	3/8/1980	29	5/18/2002	7	62	12/30/1977	388.02	58,779	44,238	103,017	18,028	2,575
	6/24/1980	29	10/13/2007	2	62	0	449.04	36,158	37,510	73,669	4,210	2,105
	12/4/1976	33	3/29/2008	1	62	4/17/1975	388.02	59,978	47,330	107,308	3,577	3,577
	12/19/1974	35	11/3/1999	10	62	6/4/1973	388.02	59,680	47,994	107,674	29,101	2,910
	11/3/1974	35	8/21/2004	5	62	1/17/1973	364.49	56,061	47,994	104,055	16,259	3,252
	11/26/1968	41	5/5/2001	8	62	9/20/1967	388.02	57,853	48,811	106,665	29,425	3,678
	9/17/1967	42	2/26/2000	9	62	12/16/1974	388.02	55,961	48,802	104,763	32,513	3,613
	7/25/1966	43	11/18/1991	18	62	10/6/1971	388.02	54,152	47,671	101,822	49,535	2,752
	5/2/1966	43	7/13/2002	7	62	2/25/1973	388.02	54,152	47,671	101,822	27,414	3,916
	5/6/1963	46	11/15/1999	10	62	8/22/1963	412.35	52,141	44,445	96,586	37,148	3,715
	8/1/1963	46	1/7/2006	3	63	11/22/1962	388.02	33,905	44,593	78,498	11,775	3,925
	3/18/1963	46	9/29/2007	2	64	2/1/1963	388.02	17,941	44,527	62,469	6,247	3,123
	10/23/1962	47	2/6/1989	20	62	7/19/1964	388.02	47,850	43,424	91,274	52,157	2,608
	1/21/1961	48	3/29/2008	1	65	4/17/1958	449.04	0	41,799	41,799	2,322	2,322
	5/10/1960	49	1/4/1988	21	62	5/22/1970	388.02	44,487	41,470	85,956	53,091	2,528
	9/10/1960	49	6/11/1994	15	62	6/7/1955	388.02	44,487	41,470	85,956	46,048	3,070
	1/7/1959	50	12/5/1998	11	62	0	412.35	23,756	32,811	56,567	27,054	2,459
	2/28/1959	50	9/2/1986	23	62	0	388.02	22,354	32,811	55,166	36,252	1,576
	10/13/1958	51	12/7/1987	22	62	7/26/1956	388.02	41,492	39,299	80,791	53,861	2,448
	7/22/1958	51	5/6/2000	9	62	11/28/1959	388.02	27,304	38,136	65,440	29,448	3,272
	3/7/1957	52	10/18/1999	10	62	6/24/1952	388.02	39,783	38,333	78,116	39,058	3,906
	6/17/1957	52	10/25/1997	12	62	6/23/1955	412.35	42,277	38,333	80,610	43,969	3,664
	11/24/1956	53	6/3/1991	18	62	8/18/1958	388.02	38,141	37,111	75,251	50,167	2,787
	9/3/1955	54	3/29/2008	1	65	5/15/1958	388.02	0	38,963	38,963	3,247	3,247
	12/19/1954	55	8/11/2001	8	65	3/4/1958	388.02	0	34,689	34,689	15,418	1,927
	6/25/1953	56	9/23/1991	18	62	1/22/1956	449.04	37,775	33,292	71,067	53,300	2,961
	11/10/1949	60	12/19/1998	11	65	1/26/1951	388.02	0	29,740	29,740	20,446	1,859
	5/1/1948	61	5/18/1991	18	63	0	388.02	9,943	23,186	33,129	29,816	1,656
	2/3/1948	61	7/15/1991	18	63	10/19/1948	388.02	19,090	29,029	48,119	43,307	2,406
	10/9/1948	61	11/18/1991	18	63	12/7/1942	449.04	21,409	28,652	50,061	45,055	2,503
	10/15/1947	62	9/11/1989	20	62	3/20/1951	388.02	29,070	28,206	57,277	57,277	2,864
	8/26/1947	62	9/25/1989	20	62	4/17/1945	388.02	28,975	28,206	57,181	57,181	2,859
	2/17/1946	63	6/23/1986	23	63	1/3/1954	449.04	21,236	27,092	48,328	48,328	2,101
	10/10/1945	64	8/17/1987	22	64	5/14/1948	364.49	8,807	26,684	35,491	35,491	1,613
								$1,174,553	$1,338,819	$2,513,372	$1,109,254	$97,510

MOJAVE DESERT AQMD
Post-Retirement Medical Data

MOJAVE DESERT AQM VALUATION @ 6/30/2009

RETIRED EMPLOYEES

										PRES. VALUE OF BENEFITS				
										% of Premium		MINIMUM BENEFIT		ALL
Name	EE DOB	Att Age	Date of Retire	Spouse DOB	Spouse Att Age	Plan Name	Monthly Premium	Current Benefit Premium	Valuation Current Premium	Employee	Spouse	Employee	Spouse	TOTAL
	11/2/1955	54	2/28/2009	9/1/1953	56	PERSChoice	898.08	520.89	449.04	$26,420	$26,366	$28,552	$7,833	$89,171
	4/11/1949	60	5/27/2006	7/3/1957	52	Blue Shield	1072.11	346.37	346.37	8,230	8,259	24,139	8,376	49,004
	8/12/1949	60	3/29/2008	5/9/1951	58	PERSChoice	898.08	0.00	0.00	0	0	24,139	5,666	29,806
	8/5/1948	61	10/27/2007	0	0	Kaiser	388.02	225.05	225.05	7,964	0	23,406	0	31,370
	7/30/1945	64	8/4/2007	1/2/1947	62	Kaiser	776.04	388.02	388.02	13,666	13,708	21,232	5,589	54,194
	8/1/1943	66	3/14/2009	0	0	Kaiser(Medic.)	280.16	0.00	0.00	0	0	19,817	0	19,817
	8/7/1942	67	10/29/2005	0	0	Kaiser(Medic.)	280.16	0.00	0.00	0	0	19,123	0	19,123
	10/14/1937	72	8/6/2005	7/16/1936	73	Kaiser(Medic.)	560.32	0.00	0.00	0	0	15,720	3,926	19,645
										$56,280	$48,333	$176,129	$31,390	$312,131

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Summary of Total Costs

	Active Employees	Retirees	Total
Unfunded Past Service Amortization (30 yrs)	$72,333	$20,357	$92,690
Future Service (Normal Cost)	97,510	0	97,510
TOTAL = ARC	**$169,843**	**$20,357**	**$190,200**
ARC as a % of Payroll	**6.6%**	**.8 %**	**7.4%**

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Annual Required Contribution, OPEB Expense & Net OPEB Obligation

	2009/2010
1. Annual Required Contribution (Beg. of Year)	
a. Normal Cost	$97,510
b. Amortization of UAAL	92,690
c. Annual Required Contribution (ARC) = (1a) + (1b)	**$190,200**
2. Annual OPEB Expense (Beg. of Year)	
a. Interest Cost on BOY of Year Net OPEB Obligation = .0775 x (3a)	$ 0
b. ARC Adjustment	0
c. Annual OPEB Expense = (1c) + (2a) + (2b)	**190,200**
3. Net OPEB Obligation End of Year (6/30/2010)	
a. Net OPEB Obligation Beginning of Year (7/1/2009)	$0
b. Contribution Beginning of Year	TBD
c. Increase in Net OPEB Obligation = (1c) – (3b)	TBD
d. Net OPEB Obligation End of Year (6/30/2010) = (3a) + (3c)	TBD

Jean Bracy

From: Marv Paull [marvpaull@yahoo.com]
Sent: Sunday, August 30, 2009 6:32 PM
To: Jean Bracy
Subject: GASB 45 - Revalue at 7% Interest

HI Jean,

I have determined the Unfunded Accrued Liability (UAAL) and Annual Required Contribution (ARC) as of 6/30/2009 using an interest discount rate of 7%. The original rate applied was 5.5%. Th e new values are as foll

	UAAL
Actives	**$ 809,774**
Retireds	**274,514**
Total	**$ 1,084,288**

	ARC
Normal Cost	**$ 71,216**
Amort of UAAL	**81,662**
Total	**$ 152,878**

I will call you tomorrow to go over these results,

Marv

Marv Paull
Actuarial & Financial Consulting
951-304-9696 - Office
951-461-4616 - Fax

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Funded Status

Actuarial Accrued Liability (AAL)	$1,421,221
Less Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$1,421,221
Funded Ratio	**0.0%**
Covered Payroll	$2,581,966
UAAL/Covered Payroll	**55.0%**

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Assumptions and Cost Method

1.	Interest Discount:	5.50% per annun
2.	Mortality:	1994 Group Annuity Mortality Table with Scale AA for future mortality improvement to 1999. Blended tables for males and females (50% / 50%).
3.	Medical Cost Trend:	
	Medical:	See Table A
	CalPERS Mininum:	4.0% per year
4.	Termination Prior to Retirement:	See Table B
5.	Age at Retirement:	Later of age 62, attained age or 20 years of service for percent of premium benefit. Later of age 65 or retirement age for minimum benefit.
6.	Medical Benefit Cost Paid by District:	See Plan Provision Summary (page 15)
7.	Valuation Date:	June 30, 2009
8.	Assets:	None as of June 30, 2009

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Assumptions and Method
(continued)

9.	Marital Status:	**Actives**	93% are married at retirement
		Retirees	Per data provided
10.	Female Age:	**Category**	
		Actives	Male Age -1
		Retirees	Per Data
11.	Cost Method:	Projected Unit Credit Actuarial Cost Method where Normal Cost is determined on the basis of allocating the present value of benefits each year over the working life from date of hire to date of retirement for each participant. The Unfunded Actuarial Accrued Liability is determined as the proportion of benefits related to prior years.	
12.	Retirees electing to continue medical coverage after 65 or later and pay the difference:	100% of future retirees plus current retirees.	

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Assumptions and Method

Table A

Medical Trend

Fiscal Year	Fiscal Year Rate
2009/10	3.5%
2010/11	6.5%
2011/12	5.5%
2012/13 +	5.0%

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Table B

Attained Age	Rate of Termination
20 - 29	6%
30 - 39	4%
40 - 49	1%
50 +	0%

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Plan Provisions

Eligibility for regular benefits:	Full time employees may retire as early as age 50 with 20 years of service with the District.
Eligibility for disability benefits:	There are none.
Covered Participants:	Eligible retirees and family members are covered.
Coverage after death:	After the death of the retiree, benefits continue for the spouse.
Benefits:	The District pays for the monthly medical insurance premiums plus the minimum contribution under the CalPERS insurance program with various carriers. The premium is paid up to a maximum of the Flex Program limit until age 65. Thereafter, the District will pay the minimum CalPERS contribution, currently $101.00 per month, as long as the retiree or spouse pays the difference.

Mojave Air Quality Management District

Post-Retirement Medical Benefits

Plan Provisions
(continued)

	SINGLE OR DEPENDENT ONLY MONTHLY PREMIUM	
	Before Age 65	Before and After Age 65 [2]
Blue Cross Pers Choice [1]		
Employee	$449.04	101
Spouse	449.04	101 [3]
Blue Shield [1]		
Employee	$412.35	101
Spouse	412.35	101 [3]
Kaiser [1]		
Employee	$388.02	101
Spouse	388.02	101 [3]
Blue Shield Net Value [1]		
Employee	$364.49	101
Spouse	364.49	101 [3]

(1) Subject to inflation.
(2) All retired participants receive the CalPERS minimum Employer Contribution. The retiree must be willing to pay the balance of the premium in order to receive the District contribution.
(3) Paid only if surviving spouse.

PUBLIC AGENCIES
POST-RETIREMENT HEALTH CARE PLAN
TRUST AGREEMENT

(amended and restated as of May 16, 2007)

ARTICLE I

DEFINITIONS

1.1 "**Adoption Agreement**" shall have the meaning given to such term in Section 2.3.

1.2 "**Agency Account**" shall have the meaning given to such term in Section 2.4.

1.3 "**Agreement for Administrative Services**" shall mean the agreement executed between the Employer and the Trust Administrator which authorizes the Trust Administrator to perform specific duties of administering the Agency Account of the Employer.

1.4 "**Assets**" shall have the meaning given to such term in Section 2.5.

1.5 "**Code**" shall mean the Internal Revenue Code of 1986 as amended from time to time.

1.6 "**Delegatee**" shall mean an individual or entity, appointed by the Plan Administrator or Employer to act in such matters as are specified in the appointment.

1.7 "**Effective Date**" shall mean November 1, 2005, the date the Trust was established, and with respect to each Employer, the Effective Date shall be the date on which the Employer executes the Adoption Agreement.

1.8 "**Eligible Dependent**" shall mean any dependent of an Eligible Employee who is entitled to health care and welfare benefits after the termination of such Eligible Employee's employment with the Employer pursuant to the Employer's policies and/or applicable collective bargaining agreements.

1.9 "**Eligible Employee**" shall mean any employee of the Employer who is entitled to post-employment health care and welfare benefits pursuant to such Employer's policies and/or applicable collective bargaining agreements. Unless the context otherwise requires, the term "Eligible Employee" as used herein shall include any Eligible Dependents.

1.10 "**Employer**" shall mean a public agency that executes the Adoption Agreement, thereby adopting the provisions of this Trust Agreement, provided that such agency is a state, a political subdivision of a state, or an entity the income of which is excludible from gross income under Section 115 of the Code.

1.11 "**GASB**" shall mean the Governmental Accounting Standards Board.

1.12 "**Omnibus Account**" shall mean an account, established for record keeping purposes only, to aggregate the balances of the Assets credited to the Agency Accounts. The Trust Administrator shall maintain and reconcile, at the Agency Account level, the investments of the Agency Accounts and will provide reports to the Plan Administrator with respect to such investments. The Trustee will maintain a record of the aggregate balance (principal and earnings) for all Agency Accounts. The Trust Administrator will in the ordinary course of business maintain a record of the name, address, taxpayer identification number, account number and amount of funds, including earnings, of each Employer. On periodic valuation dates (no less frequently than monthly) to be established by the Trust Administrator, the Trustee and Trust Administrator will reconcile the aggregate balance information maintained by the Trustee with the Agency Account level records maintained by the Trust Administrator pursuant to this Trust Agreement.

1.13 "**OPEB**" shall mean "other post-employment benefits," such as medical, dental, vision, life insurance, long-term care and other similar benefits provided to retirees, other than pension benefits.

1.14 "**OPEB Obligation**" shall mean an Employer's obligation to provide post-employment health care and welfare benefits to its Eligible Employees as specified in such Employer's policies and/or applicable collective bargaining agreements.

1.15 "**Plan**" shall mean the Public Agencies Post-Retirement Health Care Plan, adopted by each Employer as a separate Plan for that Employer upon the execution of an Adoption Agreement and the satisfaction of certain other requirements contained herein.

1.16 "**Plan Administrator**" shall mean the individual designated by position of employment at the Employer to act on its behalf in all matters relating to the Employer's participation in the Trust.

1.17 "**Trust**" shall mean the Public Agencies Post-Retirement Health Care Plan trust arrangement.

1.18 "**Trust Administrator**" shall mean Public Agency Retirement Services or any successor trust administrator appointed by the Employers as provided herein. The Trust Administrator shall serve as trust administrator to the Trust established pursuant to this Trust Agreement until such Trust Administrator resigns or is removed as provided in Article III.

1.19 "**Trust Agreement**" shall mean this Public Agencies Post-Retirement Health Care Plan trust document adopted by each Employer upon execution of an Adoption Agreement, as amended from time to time.

1.20 "**Trustee**" shall mean Union Bank of California, N.A., or any successor trustee appointed by the Employers as provided herein. The Trustee shall serve as trustee of the Trust established pursuant to the provisions of this Trust Agreement until such Trustee resigns or is removed as provided in Article III.

ARTICLE II

THE TRUST

2.1 Multiple Employer Trust

The Trust is a multiple employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that adopt it to hold the assets used to fund its OPEB Obligation. The Trust is divided into Agency Accounts to hold the Assets of each Employer as described in Section 2.4.

2.2 Purpose

The Trust is established with the intention that it qualify as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Code and any regulations issued thereunder and as a tax-exempt trust under the provisions of the relevant state's statutory provisions of each Employer. This Trust Agreement shall be construed and the Trust shall be administered in a manner consistent with such intention. The fundamental purpose of the Trust is to fund post-employment benefits (other than pension benefits), such as medical, dental, vision, life insurance, long-term care and similar benefits, offered by the Employer to its employees as specified in each Employer's policies and/or applicable collective bargaining agreements. It is intended that adopting Employers retain an interest in the underlying securities held in the Trust on their behalf, rather than in the Trust itself.

2.3 Employers

Any public agency may, by action of its governing body in writing accepted by the Trustee, adopt the provisions of the Trust Agreement. Executing an adoption instrument for the Trust ("**Adoption Agreement**"), in the form attached hereto as Exhibit "A" (or such other form as may be approved by the Trustee), shall constitute such adoption, unless the Trustee requires additional evidence of adoption. In order for such adoption to be effective, the public agency must also execute an Agreement for Administrative Services with Public Agency Retirement Services, the Trust Administrator, pursuant to section 3.6 of this Trust Agreement. Such adopting Employer shall then become an Employer of the Trust.

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

(a) a certified copy of the resolution(s) of the governing body of the Employer authorizing the adoption of the Trust Agreement and the appointment of the Plan Administrator for such Employer;

(b) an original of the Adoption Agreement executed by the Plan Administrator or other duly authorized Employer employee;

(c) an original of the Agreement for Administrative Services with Public Agency Retirement Services executed by the Plan Administrator or other duly authorized Employer employee and Public Agency Retirement Services;

(d) an address notice; and

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

(f) Any action taken by the Plan Administrator for an Employer shall be deemed to have been taken by such Employer. Any notice given to or delivered by the Plan Administrator for an Employer shall be deemed to have been given to or delivered by such Employer.

2.4 Agency Accounts

Upon an Employer's adopting the Trust Agreement, as provided in Section 2.3, a separate "**Agency Account**" shall be established under the Trust for that Employer, and all Assets of the Trust attributable to that Employer shall be held in that Employer's Agency Account. The Assets of the Trust that are held in an Employer's Agency Account shall be available only to pay post-employment health care and welfare benefits of Eligible Employees of that Employer (including reimbursement of the Employer for payments to health care providers with respect to such benefits) and shall not be available to pay any obligations incurred by any other Employer as provided in Section 2.8.

2.5 Assets of Agency Account

The assets held in an Agency Account shall consist of all contributions and transfers received by the Trust on behalf of the Employer, together with the income and earnings from such contributions and transfers, and any increments accruing to them, net of any investment losses, benefits, expenses or other costs ("**Assets**"). All contributions or transfers shall be received by the Trustee in cash or in other property acceptable to the Trustee. The Trustee shall manage and administer the Assets held in Agency Accounts without distinction between principal and income. The Trustee and the Trust Administrator shall have no duty to compute any amount to be transferred or paid to the Agency Account by the Employer, and the Trustee and the Trust Administrator shall not be responsible for the collection of any contributions or transfers to the Agency Account.

2.6 Aggregate Balance for Investment and Administration

The balances of the Assets of more than one Agency Account may be aggregated by the Trustee in one or more Omnibus Accounts for investment and administrative purposes, to provide economies of scale and efficiency of administration to the Agency Accounts. The responsibility for Plan and Agency

Account level accounting within this Omnibus Account(s) shall be that of the Trust Administrator.

2.7 Trustee Accounting

The Trustee shall be responsible only for maintaining records and maintaining accounts for the aggregate assets of the Trust. The responsibility for Plan level accounting for each Agency Account, based upon the Omnibus Account(s), shall be that of the Trust Administrator.

2.8 No Diversion of Assets

The Assets in each Agency Account shall be held in trust for the exclusive purpose of providing post-employment health care and welfare benefits to the Eligible Employees of the Employer for which such Agency Account was established and defraying the reasonable administrative and actuarial expenses of such Employer's participation in the Trust. The Assets in each Agency Account shall not be used for or diverted to, any other purpose, including, but not limited to, the satisfaction of any other Employer's OPEB Obligation.

2.9 Type and Nature of Trust

Neither the full faith and credit nor the taxing power of each Employer is pledged to the distribution of benefits hereunder. Except for contributions and other amounts hereunder, no other amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of any Employer, but are payable solely from the Assets held in such Employer's Agency Account, as more fully described herein. No employee of any Employer or beneficiary may compel the exercise of the taxing power by any Employer.

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

2.10 Loss of Tax-Exempt Status as to Any Employer

If any Employer participating in the Trust receives notice from the Internal Revenue Service that the Trust as to such Employer fails to satisfy the requirements of Section 115 of the Code, or if any Employer consents to the Internal Revenue Service's determination that the Trust fails to meet such requirements, Assets having a value equal to the funds then held in such Employer's Agency Account shall be segregated and placed in a separate trust by the Trustee for the exclusive benefit of such Employer's Eligible Employees within a reasonable time after the Trust Administrator notifies the Trustee of the Internal Revenue Service's determination. Each Employer participating in the Trust agrees to immediately notify the Trust Administrator upon receiving such notice or giving such consent. The separate trust provided for in this Section 2.10 shall thereafter be considered as a separate trust containing all of the provisions of this Trust Agreement until terminated as provided in this Trust Agreement.

ARTICLE III

ADMINISTRATIVE MATTERS

3.1 Appointment of Trustee

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as the trustee of this Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trustee of the Trust. If the Trustee is removed or resigns pursuant to Section 3.2, the Employers shall appoint a successor Trustee in accordance with the voting requirements set forth in this Section 3.1.

3.2 Resignation or Removal of Trustee

The Employers may act to remove the Trustee, provided that such action must satisfy the voting requirements set forth in Section 3.1 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trustee may also resign at any time by giving at least ninety (90) days prior written notice to the Trust Administrator and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trustee may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trustee hereunder without the Trustee's consent. The Trustee shall, upon the appointment and acceptance of a successor trustee, transfer and deliver the Assets and all records relating to the Trust to the successor, after reserving such reasonable amount as it shall deem necessary to provide for its fees and expenses and any sums chargeable against the Trust for which it may be liable. The Trustee shall do all acts necessary to vest title of record in the successor trustee.

3.3 Withdrawal of Employer

An Employer may elect to withdraw from the Trust by giving at least ninety (90) days prior written notice to the Trustee and the Trust Administrator. If an Employer so elects to withdraw, Assets having a value equal to the funds held in such Employer's Agency Account shall be segregated by the Trustee and, as soon as practicable, shall be transferred to a trust established by the Employer, provided that (i) such trust shall satisfy the requirements of Section 115 of the Code, and (ii) all assets held by such trust shall qualify as "plan assets" within the meaning of GASB Statement No. 45, in each case as reasonably determined by the Employer and certified in writing by the Employer to the Trust Administrator. The Employer shall appoint a trustee for the such Employer's separate trust, and such appointment shall vest the successor trustee with title to the transferred Assets upon the successor trustee's acceptance of such appointment.

3.4 The Plan Administrator

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

3.5 Failure to Appoint Plan Administrator

If a Plan Administrator is not appointed, or such appointment lapses, the Employer shall be deemed to be the Plan Administrator. As used in this document the term "Plan Administrator" shall be deemed to mean "Employer" when a Plan Administrator has not been appointed for such Employer.

3.6 Delegatee

The Plan Administrator, acting on behalf of the Employer, may delegate certain authority, powers and duties to a Delegatee to act in those matters specified in the delegation. Any such delegation must be in a writing that names and identifies the Delegatee, states the effective date of the delegation, specifies the authority and duties delegated, is executed by the Plan Administrator, is acknowledged in writing by the Delegatee, and is certified as required in Section 3.7 to the Trust Administrator. Such delegation shall be effective until the Trustee and the Trust Administrator are directed in writing by the Plan Administrator that the delegation has been rescinded or modified.

3.7 Certification to Trustee

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

3.8 Directions to Trustee

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

The Trustee shall have the power and duty to comply promptly with all proper directions of the Plan Administrator or Delegatee, appointed in accordance with the provisions of this Trust Agreement. In the case of any direction deemed by the Trustee to be unclear or ambiguous the Trustee may seek written instructions from the Plan Administrator, the Employer or the Delegatee on such matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the Delegatee should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust and/or the applicable Agency Account which may include not taking any action. The Trustee may request directions or clarification of directions received and may delay acting until clarification is received. In the absence of timely direction or clarification, or if the Trustee considers any direction to be a violation of the Trust Agreement or any applicable law, the Trustee shall in its sole discretion take appropriate action, or refuse to act upon a direction.

3.9 Appointment of Trust Administrator

The Employers may, with the approval of two-thirds (2/3) or more of the Employers then participating in the Trust, act to appoint a bank, trust company, retirement board, insurer, committee or such other entity as permitted by law, to serve as Trust Administrator of the Trust. Such action must be in writing. Upon the written acceptance of such entity it shall become the Trust Administrator of the Trust. If the Trust Administrator is removed or resigns pursuant to Section 3.13, the Employers shall appoint a successor Trust Administrator in accordance with the voting requirements set forth in this Section 3.9.

3.10 Trust Administrator

The Trust Administrator's duties involve the performance of the following services pursuant to the provisions of this Trust Agreement and the Agreement for Administrative Services:

(a) Performing periodic accounting of each Agency Account and reconciling such Agency Account balances with the Trust/Omnibus Account;

(b) Directing the Trustee to make distributions from the applicable Agency Account to health care providers (or to the Employer for reimbursement of payments made to health care providers) for post-employment health care and welfare benefits;

(c) Allocating contributions, earnings and expenses to each Agency Account;

(d) Directing the Trustee to pay the fees of the Trust Administrator and to do such other acts as shall be appropriate to carry out the intent of the Trust;

(e) Such other services as the Employer and the Trust Administrator may agree in the Agreement for Administrative Services pursuant to Section 2.3.

The Trust Administrator shall be entitled to rely on, and shall be under no duty to question, direction and/or data received from the Plan Administrator, or other duly authorized entity, in order to perform its authorized duties under this trust agreement. The Trust Administrator shall not have any duty to compute contributions made to the Trust, determine or inquire whether contributions made to the Trust by the Plan Administrator or other duly authorized entity are adequate to meet an Employer's OPEB Obligation as may be determined under GASB Statement Nos. 43 and 45 and any future GASB pronouncements; or determine or inquire whether contributions made to the Trust are in compliance with the Employer's policies and/or applicable collective bargaining agreements. The Trust Administrator shall not be liable for nonperformance of duties if such nonperformance is directly caused by erroneous, and/or late delivery of, directions or data from the Plan Administrator, or other duly authorized entity.

3.11 Additional Trust Administrator Services

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

3.12 Trust Administrator's Compensation

As may be agreed upon from time to time by the Employer and Trust Administrator, the Trust Administrator will be paid reasonable compensation for services rendered or reimbursed for expenses properly and actually incurred in the performance of duties with respect to such Employer's Agency Account and to the Trust.

3.13 Resignation or Removal of Trust Administrator

The Employers may act to remove the Trust Administrator, provided that such action must satisfy the voting requirements set forth in Section 3.9 and notice of such action must be promptly delivered to the Trust Administrator, the Trustee and each Plan Administrator. The Trust Administrator may also resign at any time by giving at least one hundred and twenty (120) days prior written notice to the Trustee and to the Plan Administrator of each Employer that has adopted the Trust Agreement and not terminated its participation in the Trust; provided, however, that the Trust Administrator may resign immediately upon the earlier of the approval date or the effective date of any amendment of the Trust Agreement by the Employers that would change or modify the duties, powers or liabilities of the Trust Administrator hereunder without the Trust Administrator's consent. The Trust Administrator shall, upon the appointment and acceptance of a successor trust administrator, transfer all records relating to the Trust to the successor.

ARTICLE IV

THE TRUSTEE

4.1 Powers and Duties of the Trustee

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

(a) To invest and reinvest the Assets or any part hereof in any one or more kind, type, class, item or parcel of property, real, personal or mixed, tangible or intangible; or in any one or more kind, type, class, item or issue of investment or security; or in any one or more kind, type, class or item of obligation, secured or unsecured; or in any combination of them (including those issued by the Trustee of any of its affiliates, to the extent permitted by applicable law), and to retain the property for the period of time that the Trustee deems appropriate;

(b) To acquire and sell options to buy securities ("call" options) and to acquire and sell options to sell securities ("put" options);

(c) To buy, sell, assign, transfer, acquire, loan, lease (for any purpose, including mineral leases), exchange and in any other manner to acquire, manage, deal with and dispose of all or any part of the Trust property, for cash or credit and upon any reasonable terms and conditions;

(d) To make deposits, with any bank or savings and loan institution, including any such facility of the Trustee or an affiliate thereof provided that the deposit bears a reasonable rate of interest;

(e) To invest and reinvest the Assets, or any part thereof in any one or more collective investment trust funds, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts qualified and tax exempt under the Code, that are maintained by the Trustee or an affiliate thereof. The declaration of trust or plan of operations for any such common or collective fund is hereby incorporated herein and adopted into this Trust Agreement by this reference. The combining of money and other assets of the Trust with money and other assets of other non-qualified trusts in such fund or funds is specifically authorized. Notwithstanding anything to the contrary in this Trust Agreement, the Trustee shall have full investment responsibility over assets of the trust invested in such commingled funds. If the plan and trust for any reason lose their tax exempt status, and the Assets have been commingled with assets of other tax exempt trusts in Trustee's collective investment funds, the Trustee shall within 30 days of notice of such loss of tax exempt status, liquidate the Trust's units of the collective investment fund(s) and invest the proceeds in a money market fund pending investment or other instructions from the Plan Administrator. The Trustee shall not be liable for any loss or gain or taxes, if any, resulting from said liquidation;

(f) To place uninvested cash and cash awaiting distribution in one or more mutual funds and/or commingled investment funds maintained by or made available by the Trustee or any of its affiliates, and to receive compensation from the sponsor of such fund(s) for services rendered, separate and apart from any Trustee's fees hereunder. The Trustee or its affiliate may also be compensated for providing investment advisory services to any mutual fund or commingled investment funds;

(g) To borrow money for the purposes of the Trust from any source with or without giving security; to pay interest; to issue promissory notes and to secure the repayment thereof by pledging all or any part of the Assets;

(h) To take all of the following actions: to vote proxies of any stocks, bonds or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Trust;

(i) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(j) To raze or move existing buildings; to make ordinary or extraordinary repairs, alterations or additions in and to buildings; to construct buildings and other structures and to install fixtures and equipment therein;

(k) To pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes or assessments of any or all kinds levied or assessed upon or with respect to the Trust;

(l) To exercise all the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under applicable federal or state laws, as amended from time to time, it being intended that, except as herein otherwise provided, the powers conferred upon the Trustee herein shall not be construed as being in limitation of any authority conferred by law, but shall be construed as consistent or in addition thereto.

4.2 Additional Trustee Powers

In addition to the other powers enumerated above, the Trustee in any and all events is authorized and empowered:

(a) To invest funds pending required directions in any type of interest-bearing account, including, without limitation, time certificates of deposit or interest-bearing accounts issued by the Trustee, or any mutual fund or short term investment fund (**"Fund"**), whether sponsored or advised by the Trustee or any affiliate thereof); the Trustee or its affiliates may be compensated for providing such investment advice and providing other service to such Fund, in addition to any Trustee's fees received pursuant to this Trust Agreement;

(b) To cause all or any part of the Trust to be held in the name of the Trustee (which in such instance need not disclose its fiduciary capacity) or, as permitted by law, in the name of any nominee, and to acquire for the Trust any investment in bearer form, but the books and records of the Trust shall at all times show that all such investments are a part of the Trust and the Trustee shall hold evidences of title to all such investments;

(c) To serve as custodian with respect to the Trust Assets;

(d) To employ such custodians, agents and counsel as may be reasonably necessary in managing and protecting the Assets and to pay them reasonable compensation from the Trust; to employ any broker-dealer or other agent, including any broker-dealer or other agent affiliated with the Trustee, and pay to such broker-dealer or other agent, at the expense of the Trust, its standard commissions or compensation; to settle, compromise or abandon all claims and demands in favor of or against the Trust; and to charge any premium on bonds purchased at par value to the principal of the Trust without amortization from the Trust, regardless of any law relating thereto;

(e) In addition to the powers listed herein, to do all other acts necessary or desirable for the proper administration of the Trust, as though the absolute owner thereof;

(f) To prosecute, compromise and defend lawsuits, but without obligation to do so, all at the risk and expense of the Trust; and to tender its defense to the Employer in any legal proceeding where the interests of the Trustee and the Employer are not adverse;

(g) To exercise and perform any and all of the other powers and duties specified in this Trust Agreement or the Plan;

(h) To permit such inspections of documents at the principal office of the Trustee as are required by law, subpoena or demand by a United States agency;

(i) To comply with all requirements imposed by applicable provisions of law;

(j) To seek written instructions from the Plan Administrator or other fiduciary on any matter and await their written instructions without incurring any liability. If at any time the Plan Administrator or the fiduciary should fail to give directions to the Trustee, the Trustee may act in the manner that in its discretion seems advisable under the circumstances for carrying out the purposes of the Trust;

(k) To compensate such executive, consultant, actuarial, accounting, investment, appraisal, administrative, clerical, secretarial, medical, custodial, depository and legal firms, personnel and other employees or assistants as are engaged by the Plan Administrator in connection with the administration of the Plan and to pay from the Trust the necessary expenses of such firms, personnel and assistants, to the extent not paid by the Plan Administrator;

(l) To act upon proper written directions of the Plan Administrator or Delegatee, including directions given by photostatic transmissions using facsimile signature, and such other forms of directions as the parties shall agree;

(m) To pay from the Trust the expenses reasonably incurred in the administration of the Trust as provided in the Plan;

(n) To maintain insurance for such purposes, in such amounts and with such companies as the Plan Administrator shall elect, including insurance to cover liability or losses occurring by reason of the acts or omissions of fiduciaries but only if such insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by such fiduciary.

ARTICLE V

INVESTMENTS

5.1 Discretionary Versus Directed Investment

The Employer shall elect either a discretionary or directed investment approach. If the Employer elects a discretionary investment approach, the Employer shall further elect between the various investment strategies offered and the Trustee, in accordance with Article IV, shall have absolute discretion over the investment of the Assets held in such Employer's Agency Account. If the Employer elects a directed investment approach, the Trustee shall direct the investment of the Assets of such Employer's Agency Account in accordance with the direction provided by such Employer.

5.2 Trustee Fees

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

5.3 Contributions

Eligible Employees are not permitted to make contributions to the Trust. The Plan Administrator shall, on behalf of the Employer, make all contributions to the Trustee. Such contributions shall be in cash unless the Trustee agrees to accept a contribution that is not in cash. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of this Trust Agreement. The Trustee shall not have any duty to determine or inquire whether any contributions to the Trust made to the Trustee by any Plan Administrator are in compliance with the Employer's policies and/or collective bargaining agreements; nor shall the Trustee have any duty or authority to compute any amount to be paid to the Trustee by any Plan Administrator; nor shall the Trustee be responsible for the collection or adequacy of the contributions to meet an Employer's OPEB Obligation, as may be determined under GASB Statement No. 45. The contributions received by the Trustee from each Employer shall be held and administered pursuant to the terms hereof without distinction between income and principal.

5.4 Records

(a) The Trustee shall maintain accurate records and detailed accounts of all investments, receipts, disbursements and other transactions hereunder at the Trust level. Such records shall be available at all reasonable times for inspection by the Trust Administrator. The Trustee shall, at the direction of the Trust Administrator, submit such valuations, reports or other information as the Trust Administrator may reasonably require.

(b) The Assets of the Trust shall be valued at their fair market value on the date of valuation, as determined by the Trustee based upon such sources of information as it may deem reliable; provided, however, that the Plan Administrator shall instruct the Trustee as to valuation of assets which are not readily determinable on an established market. The Trustee may rely conclusively on such valuations provided by the Plan Administrator and shall be indemnified and held harmless by the Employer with respect to such reliance. If the Plan Administrator fails to provide such values, the Trustee may take whatever action it deems reasonable, including employment of attorneys, appraisers or other professionals, the expense of which will be an expense of administration of the Trust. Transactions in the account involving such hard to value assets may be postponed until appropriate valuations have been received and Trustee shall have no liability therefore.

5.5 Statements

(a) Periodically as specified, and within sixty days after December 31, or the end of the Trust's fiscal year if different, Trustee shall render to the Trust Administrator as directed, a written account showing in reasonable summary the investments, receipts, disbursements and other transactions engaged in by the Trustee during the preceding fiscal year or period with respect to the Trust. Such account shall set forth the assets and liabilities of the Trust valued as of the end of the accounting period.

(b) The Trust Administrator may approve such statements either by written notice or by failure to express objections to such statements by written notice delivered to the Trustee within 90 days from the date the statement is delivered to the Trust Administrator. Upon approval, the Trustee shall be released and discharged as to all matters and items set forth in such statement as if such account had been settled and allowed by a decree from a court of competent jurisdiction.

5.6 Wire Transfers

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

5.7 Exclusive Benefit

The Assets of an Employer's Agency Account shall be held in trust for the exclusive purpose of providing post-employment health care and welfare benefits to the Eligible Employees of the Employer pursuant to the Employer's policies and/or applicable collective bargaining agreements, and defraying the reasonable expenses associated with the providing of such benefits, and shall not be used for or diverted to any other purpose. No party shall have authority to use or divert the Assets of an Agency Account of an Employer for the payment of post-employment health care and welfare benefits or expenses of any other Employer.

5.8 Delegation of Duties

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

5.9 Distributions

The Trustee shall, from time to time, upon the written direction of the Plan Administrator or Delegatee, make distributions from the Assets of the Trust to the insurers, third party administrators, health care and welfare providers or other entities providing Plan benefits or services, or to the Employer for reimbursement of Plan benefits and expenses paid by the Employer in such manner in such form(s), in such amounts and for such purposes as may be specified in such directions.

In no event shall the Trustee have any responsibility respecting the application of such distributions, nor for determining or inquiring into whether such distributions are in accordance with the Employer's policies and/or applicable collective bargaining agreements.

ARTICLE VI

FIDUCIARY RESPONSIBILITIES

6.1 More Than One Fiduciary Capacity

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

6.2 Fiduciary Discharge of Duties

Except as otherwise provided by applicable law, each fiduciary shall discharge such fiduciary's duties with respect to the Trust Agreement and the Trust:

(a) solely in the interest of the Eligible Employees and for the exclusive purpose of providing post-employment health care and welfare benefits to Eligible Employees, and defraying reasonable administrative and actuarial expenses associated with providing such benefits; and

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

6.3 Limitations on Fiduciary Responsibility

To the extent allowed by the laws of the state of each Employer:

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

No fiduciary shall be liable for a breach by another fiduciary except as provided by law.

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

6.4 Indemnification of Trustee by Employer

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

6.5 Indemnification of Employer by Trustee

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

6.6 Indemnification of Trustee by Trust Administrator

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

6.7 Indemnification of Trust Administrator by Trustee

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

6.8 Indemnification Procedures

Promptly after receipt by an indemnified party of notice or receipt of a claim or the commencement of any action for which indemnification may be sought, the indemnified party will notify the indemnifying party in writing of the receipt or commencement thereof. When the indemnifying party has agreed to provide a defense as set out above that party shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to such indemnitee) and the payment of expenses, insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the indemnifying party. Any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party unless (i) the employment of such counsel has been specifically authorized by the indemnifying party or (ii) the named parties to any such action (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. The indemnifying party shall not be liable to indemnify any person for any settlement of any such action effected without the indemnifying party's consent. The indemnification procedures of this Trust Agreement shall survive the termination of the Trust, any Employer's participation in the Trust and/or this Trust Agreement.

6.9 No Joint and Several Liability

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

ARTICLE VII

AMENDMENT, TERMINATION AND MERGER

7.1 No Obligation to Continue Trust

Participation in the Trust and continuation of the Employer's policies and/or applicable collective bargaining agreements that provide post-employment health care and welfare benefits are not assumed as a contractual obligation of the Employer.

7.2 Amendment of Trust

(a) The Trust Agreement may be amended only by the approval of two-thirds (2/3) or more of the Employers then participating in the Trust. Any such amendment by the Employers shall be set forth in an instrument in writing and shall be delivered to the Trustee, the Trust Administrator and all Plan Administrators not less than one hundred and eighty (180) days before the effective date of such amendment; provided, however, that any party may waive in writing such 180-day requirement with respect to any amendment (and such waiver shall not constitute a waiver with respect to any other amendment); and provided, further, that a waiver in writing of such 180-day requirement by two-thirds (2/3) or more of the Plan Administrators of the Employers participating in the Trust as of the date the amendment is adopted shall constitute a waiver of such

180-day requirement by all of the Employers then participating in the Trust. In addition, the Trust Administrator or the Trustee shall have the right to amend this Trust Agreement from time to time (without the requirement of a vote of Employers) solely for the purpose of keeping the Trust Agreement in compliance with the Code and applicable state law. Any such amendment by the Trust Administrator or the Trustee shall be set forth in an instrument in writing and shall be delivered to the Trustee, the Trust Administrator and all Plan Administrators promptly as each is made.

(b) Any amendment of the Trust Agreement may be current, retroactive or prospective, provided, however, that no amendment shall:

(1) Cause the Assets of any Agency Account to be used for or diverted to purposes other than for the exclusive benefit of Eligible Employees of the applicable Employer or for the purpose of defraying the reasonable expenses of administering such Agency Account.

(2) Permit the Assets of any Agency Account to be used for the benefit of any other Employer.

7.3 Termination of Employer's Obligation to Provide OPEB

A termination of the Employer's obligation to provide OPEB pursuant to its policies and/or applicable collective bargaining agreements for which the Employer's Agency Account was established shall not, in itself, effect a termination of the Agency Account. Upon a termination of the Employer's obligation to provide OPEB pursuant to its policies and/or applicable collective bargaining agreements, the Assets of the Agency Account shall be distributed by the Trustee when directed by the Plan Administrator in accordance with this Section 7.3. From and after the date of such termination and until final distribution of the Assets, the Trustee shall continue to have all the powers provided herein as are necessary or expedient for the orderly liquidation and distribution of such Assets, and the Agency Account shall continue until the Assets have been completely distributed. Such Assets shall be used first to satisfy any remaining obligations of the Employer to provide OPEBs pursuant to its policies and/or applicable collective bargaining agreements (to the extent that such distribution constitutes the exercise of an "essential governmental function" within the meaning of Section 115 of the Code) and to satisfy any of such Employer's obligations under this Trust Agreement. Any Assets remaining in the Agency Account after giving effect to the foregoing sentence shall be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code.

7.4 Fund Recovery Based on Mistake of Fact

Except as hereinafter provided or in accordance with Section 7.3, the Assets of the Trust shall never inure to the benefit of the Employer. The Assets shall be held for the exclusive purposes of providing post-employment health care and welfare benefits to Eligible Employees and defraying reasonable expenses of administering the Trust. However, in the case of a contribution which is made by an Employer because of a mistake of fact, that portion of the contribution relating to the mistake of fact (exclusive of any earnings or losses attributable thereto) may be returned to the Employer, provided such return occurs within two (2) years after discovery by the Employer of the mistake. If any repayment is payable to the Employer, then, as a condition to such repayment, and only if requested by Trustee, the Employer shall execute, acknowledge and deliver to the Trustee its written undertaking, in a form satisfactory to the Trustee, to indemnify, defend and hold the Trustee harmless from all claims, actions, demands or liabilities arising in connection with such repayment.

7.5 Termination of Trust

The Trust and this Trust Agreement may be terminated only by the unanimous agreement of all Employers. Such action must be in writing and delivered to the Trustee and Trust Administrator. Upon a termination of the Trust, the Assets of each Agency Account under the Trust shall be distributed by the Trustee when directed by the Plan Administrator for that Agency Account in accordance with this Section 7.5. From and after the date of such termination and until final distribution of the Assets, the Trustee shall continue to have all the powers provided herein with respect to each Agency Account as are necessary or expedient for the orderly liquidation and distribution of the Assets of such Agency Account, and the Agency Account shall continue until the Assets have been completely distributed. The Assets of each Agency Account shall be used first to satisfy any remaining obligations of the applicable Employer to provide OPEBs pursuant to its policies and/or applicable collective bargaining agreements (to the extent that such distribution constitutes the exercise of an "essential governmental function" within the meaning of Section 115 of the Code) and to satisfy any of such Employer's obligations under this Trust Agreement. Any Assets remaining in such Agency Account after giving effect to the foregoing sentence shall be paid to the Employer to the extent permitted by law and consistent with the requirements of Section 115 of the Code. In no case will the assets of the Trust be distributed on termination to an entity that is not a state, a political subdivision of a state or an entity the income of which is excluded from gross income under Section 115 of the Code.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Nonalienation

Eligible Employees do not have an interest in the Trust. Accordingly, the Trust shall not in any way be liable to attachment, garnishment, assignment or other process, or be seized, taken, appropriated or applied by any legal or equitable process, to pay any debt or liability of an Eligible Employee or any other party. Trust Assets shall not be subject to the claims of any Employer or the claims of its creditors.

8.2 Saving Clause

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

8.3 Applicable Law

This Trust Agreement and the Trust shall be construed, administered and governed under the Code and the law of the State of California. To the extent any of the provisions of this Trust Agreement are inconsistent with the Code or applicable state law, the provisions of the Code or state law shall control. In the event, however, that any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Trust Agreement being a tax-exempt trust within the meaning of the Code.

8.4 Joinder of Parties

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

8.5 Employment of Counsel

The Trustee may consult with legal counsel (who may be counsel for the Trustee, the Trust Administrator or any Employer) with respect to the interpretation of this Agreement or the Trustee's duties hereunder or with respect to any legal proceedings or any questions of law and shall be entitled to take action or not to take action in good faith reliance on the advice of such counsel and charge the Trust and, as applicable, one or more Agency Accounts.

8.6 Gender and Number

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

8.7 Headings

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

8.8 Counterparts

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

******** Signature Page Follows ********

IN WITNESS WHEREOF, the Plan Administrator (by executing the Adoption Agreement), the Trustee and the Trust Administrator have executed this restated Trust Agreement by their duly authorized agents on the dates set forth below their names, to be effective on May 16, 2007.

UNION BANK OF CALIFORNIA

"Trustee"

By: John Fulton
Signature

John Fulton
Typed or printed name

Its: Vice President

By: ____________________
Signature

____
Typed or printed name

Its: ____________________

Date: 6/26/2007

PUBLIC AGENCY RETIREMENT SERVICES

"Trust Administrator"

By: ____________________
Signature

Daniel Johnson
Typed or printed name

Its: President

Date: 6/25/2007

UNION BANK OF CALIFORNIA
BUSINESS TRUST
COMPLIANCE APPROVAL

BY Brian Scott

DATE 6/26/2007

NB1:657192.8

000130

ADOPTION AGREEMENT

TO THE

PUBLIC AGENCIES

POST-RETIREMENT HEALTH CARE PLAN

<u>No guaranty that payments or reimbursements to employees, former employees or retirees will be tax-free</u>. The Trust has obtained a ruling from the Internal Revenue Service concerning only the federal tax treatment of the Trust's income. That ruling may not be cited or relied upon by the Employer whatsoever as precedent concerning any matter relating to the Employer's health plan(s) (including post-retirement health plans). In particular, that ruling has no effect on whether contributions to the Employer's health plan(s) or payments from the Employer's health plan(s) (including reimbursements of medical expenses) are excludable from the gross income of employees, former employees or retirees, under the Internal Revenue Code. The federal income tax consequences to employees, former employees and retirees depend on the terms and operation of the Employer's health plan(s).

Introduction

By executing this Adoption Agreement, the Employer specified in Section II of this Adoption Agreement adopts:

(1) the Public Agencies Post-Retirement Health Care Plan Document (the "Master Plan Document") integrated with the variable provisions contained within this Adoption Agreement, and

(2) the Public Agencies Post-Retirement Health Care Plan Trust Agreement (the "Trust Agreement").

Defined terms shall have the meanings attributed to such terms in the Master Plan Document or the Trust Agreement.

The Employer hereby selects the following Plan specifications:

Section I
Plan and Trust Information

A.1.1 FULL NAME OF TRUST: Public Agencies Post-Retirement Health Care Plan Trust

A.1.2 FULL NAME OF PLAN: Public Agencies Post-Retirement Health Care Plan, as adopted by (name of Employer): ______________________________

A.1.3 EFFECTIVE DATE OF PLAN: If this is a restatement of an existing plan, the restatement became effective: ______________________________

Section II
Employer Information

A.2.1 EMPLOYER INFORMATION: (See Section 2.1 of Master Plan Document):

NAME OF AGENCY: ______________________________

ADDRESS: (Street): ______________________________

(City, State Zipcode): ______________________

(Phone Number): ________________________

A.2.2 EMPLOYER'S PLAN ADMINISTRATOR: ______________________

A.2.3 EMPLOYER'S TAX IDENTIFICATION NUMBER: ________________

A.2.4 EMPLOYER'S FISCAL YEAR means the 12 consecutive month period:

Commencing on (month, day) ________________ and

Ending on (month, day) ______________________

Section III
Eligible Employees and Eligible Dependents

A.3.1 ELIGIBLE EMPLOYEE: The determination of Eligible Employees and Eligible Dependents is finally and conclusively made by the Employer according to its applicable policies and collective bargaining agreements, and without reference to this Plan.

Section IV
Investment

A.4.1 INVESTMENT APPROACH: (See Section 6.1 of the Master Plan Document): The Employer shall select either a discretionary or a directed approach to investment.

_____ a. Discretionary Investment Approach

If the Discretionary Investment Approach is selected, the Employer hereby directs the Trustee to invest the Assets of the Employer's Agency Account pursuant to one of the investment strategies listed on the accompanying Investment Strategy Selection and Disclosure Form or another investment strategy as mutually agreed upon by the Employer and the Trustee.

_____ b. Directed Investment Approach

If the Directed Investment Approach is selected, the Employer must attach its investment policy and retain its own Registered Investment Advisor. The Employer shall be permitted to direct investments of its Agency Account pursuant to the terms of the Trust Agreement.

Execution and Adoption of Plan and Related Documents

By executing this Adoption Agreement, the Employer hereby adopts and agrees to be bound by the Master Plan Document and the Trust Agreement, and hereby ratifies, confirms and approves the appointment of Union Bank of California, N.A. as the Trustee and the appointment of Public Agency Retirement Services as the Trust Administrator as of the Effective Date.

The Employer understands and agrees that the Trust Agreement may be amended from time to time by a vote of the Employers as set forth in the Trust Agreement.

This Adoption Agreement is hereby executed and effective as of this _____ day of __________, 20__.

EMPLOYER (specify):

____

By_________________________________
Plan Administrator

ACCEPTED:

Trust Administrator: Phase II Systems, dba Public Agency Retirement Services

By: ____________________________ Title: ________________________________

Date: __________________________

Trustee and Investment Fiduciary: Union Bank of California, N.A.

By: ____________________________ Title: ________________________________

Date: __________________________

By: ____________________________ Title: ________________________________

Date: __________________________

APPENDIX A

ELIGIBLE EMPLOYEES AND ELIGIBLE DEPENDENTS OF EMPLOYER

(non-binding list set forth to facilitate administration)

EXHIBIT E

PUBLIC AGENCIES
POST-RETIREMENT HEALTH CARE PLAN

MASTER PLAN DOCUMENT

(amended and restated as of May 16, 2007)

No guaranty that payments or reimbursements to employees, former employees or retirees will be tax-free. The Trust has obtained a ruling from the Internal Revenue Service concerning only the federal tax treatment of the Trust's income. That ruling may not be cited or relied upon by the Employer whatsoever as precedent concerning any matter relating to the Employer's health plan(s) (including post-retirement health plans). In particular, that ruling has no effect on whether contributions to the Employer's health plan(s) or payments from the Employer's health plan(s) (including reimbursements of medical expenses) are excludable from the gross income of employees, former employees or retirees, under the Internal Revenue Code. The federal income tax consequences to employees, former employees and retirees depend on the terms and operation of the Employer's health plan(s).

INTRODUCTION

The Employer specified in the Adoption Agreement has adopted this qualified governmental post-retirement health care plan ("Plan") for the benefit of its Eligible Employees. The Plan document consists of this Master Plan Document plus the Adoption Agreement. Assets of the Plan are held under a trust (the "Trust") evidenced by a trust agreement (the "Trust Agreement"). Each Employer's separate portion of the Trust is referred to as such Employer's "Agency Account." Capitalized terms that are not defined herein shall have the meaning attributed to such terms in the Trust Agreement.

It is intended that this Plan and the Trust established to hold the assets of the Plan shall be tax-exempt under Section 115 of the Internal Revenue Code of 1986, together with any amendments thereto ("Code"), and that contributions to the Plan shall be deemed "plan assets" pursuant to Government Accounting Standards Board Statement No. 45 ("GASB 45"). At any time prior to the satisfaction of all liabilities with respect to Eligible Employees under an Employer's Agency Account, the Agency Account assets shall not be used for, or diverted to, purposes other than the exclusive benefit of Eligible Employees.

ARTICLE I

PLAN AND TRUST INFORMATION

1.1 Plan Name.

The name of the Plan adopted by the Employer is set forth in Section A.1.2 of the Adoption Agreement.

1.2 Effective Date.

The Plan is effective as of the date set forth in Section A.1.3 of the Adoption Agreement. If as stated in the Adoption Agreement, this Plan is a restatement of an existing plan, the effective date of the restatement is set forth in the Adoption Agreement.

1.3 Plan Year.

The Plan Year shall be the consecutive twelve-month period beginning on January 1 and ending on December 31.

ARTICLE II

EMPLOYER INFORMATION

2.1 Employer.

The name and address of the Employer sponsoring this Plan (the "Employer") are as set forth in Section A.2.1 of the Adoption Agreement. The Adoption Agreement can only be used by a governmental agency that is a state, a political subdivision of a state, or an entity the income of which is excludible from gross income under Section 115 of the Code to establish a plan.

ARTICLE III

ELIGIBLE EMPLOYEES

3.1 Eligible Employees

Each employee of the Employer who is or becomes eligible for post-retirement health care and welfare benefits as specified in such Employer's applicable policies and/or applicable collective bargaining agreements shall become an Eligible Employee hereunder. Dependents of an Eligible Employee shall be entitled to benefits under the Plan after the termination of such Eligible Employee's employment with the Employer (the "Eligible Dependents") to the extent so provided in the applicable policies and/or collective bargaining agreement of the Employer.

3.2 Termination of Eligible Employee or Eligible Dependent Status

An Eligible Employee or Eligible Dependent shall cease to be an Eligible Employee or Eligible Dependent as specified in the Employer's applicable policies and/or applicable collective bargaining agreements.

ARTICLE IV

CONTRIBUTIONS

4.1 Amount of Member Agency Contributions

Eligible Employees and Eligible Dependents are not permitted to make contributions to the Trust, provided however, that nothing herein shall be deemed to (i) prevent the Employer from imposing a charge (including, without limitation, a payroll deduction) for coverage under the Plan, or (ii) prevent the Employer from depositing the proceeds of any such charge to the Trust (provided that such deposit shall be considered an Employer contribution and shall not be segregated within Employer's Agency Account from any other Employer contributions). Each Employer shall from time-to-time contribute to its Agency Account an amount determined by such Employer in its sole discretion. Such amount may, but need not, equal such Employer's "annual required contribution" ("ARC") as determined in accordance with GASB45.

4.2 Administrative Expenses

The Employer may make contributions to its Agency Account sufficient to defray all or part of the expenses of administering the Plan or may pay such expenses directly.

4.3 Allocation of Administrative Expenses

If the Employer chooses not to directly pay the expenses of administering this Plan, such expenses shall be charged against the Agency Account for such Employer.

4.4 Reversions

The Employer shall have the right to a return of contributions from this Plan only if the conditions for such return set forth in the Trust Agreement are satisfied.

ARTICLE V

DISTRIBUTION OF BENEFITS

5.1 Payment of Distribution

Distribution shall only be made to the insurers, third party administrators, health care and welfare providers or other entities providing Plan benefits or services as designated by the Employer or to the Employer for the reimbursement of Plan benefits and expenses paid by the Employer. No distributions shall be made directly to Eligible Employees or Eligible Dependents. The Plan Administrator or its Delegatee shall provide instructions to the Trustee regarding how distributions and reimbursements are to be made.

ARTICLE VI

FUNDING AND INVESTMENT

6.1 Funding and Investment

The assets of the Plan shall be held in the Agency Account of each Employer. In Section A.4.1 of the Adoption Agreement, each Employer shall elect between a discretionary or directed investment approach. If the Employer elects a discretionary investment approach, the Employer shall further elect between the various investment strategies offered in the investment strategy selection and disclosure form. If the Employer elects a directed investment approach, the Employer, in accordance with the Trust Agreement, shall have absolute discretion over the investment of the assets of its Agency Account.

6.2 Type and Nature of Plan and Trust

Neither the faith and credit nor the taxing power of each Employer is pledged to the distribution of benefits hereunder. Except for contributions, earnings and other amounts held in the Trust, no amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of the Employer, but are payable solely from contributions, as more fully described herein. No employee of any Employer or any other person may compel the exercise of the taxing power by the Employer. Distributions of benefits are not a debt of the Employer within the meaning of any constitutional or statutory limitation or restriction. Distributions are not a legal or equitable pledge, charge, lien or encumbrance, upon any of the Employer's property, or upon any of its income, receipts or revenues.

ARTICLE VII

ADMINISTRATION, AMENDMENT AND TERMINATION OF PLAN

7.1 Designation of Plan Administrator

In Section A.2.2 of the Adoption Agreement, the Employer shall provide the name of the Plan Administrator that has been duly authorized and designated by the governing body of the Employer to act on its behalf in all matters pertaining to the Plan and the Trust pursuant to Section 3.4 of the Trust Agreement. If no name is provided, the Employer is the Plan Administrator. In addition to a Plan Administrator the Employer may designate a Delegatee to perform those activities relating to the Plan as specified in the written appointment of such Delegatee certified to the Trust Administrator. Except where the context requires otherwise, the term "Employer" as used in this Article shall mean the Plan Administrator or Delegatee where responsibility for administration of the Plan has been given to such parties.

7.2 Rules and Regulations

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

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

(a) To determine all questions relating to an Eligible Employee's or Eligible Dependent's eligibility;

(b) To construe and interpret the terms and provisions of the Plan;

(c) To compute, certify to, and direct the Trustee with regard to the amount and kind of benefits payable to health care providers;

(d) To authorize all disbursements from its Agency Account;

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

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

Expenses and fees incurred in connection with the administration of the Plan and the Trust shall be paid from the Trust assets to the fullest extent permitted by law, unless the Employer determines otherwise. The Employer may elect to make contributions to its Agency Account sufficient to defray the expenses of administering the Plan or may pay such expenses directly.

7.3 Amendment and Termination

The Employer shall have the right to amend, modify or terminate the Plan at any time. If an Employer terminates the Plan, the Assets held in its Agency Account shall be distributed by the Trustee as provided in Section 7.3 of the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

8.1 Nonalienation

An Eligible Employee or Eligible Dependent does not have any interest in the Plan or the Assets held in the Trust. Accordingly, the Trust shall not in any way be liable to attachment, garnishment, assignment or other process, or be seized, taken, appropriated or applied by any legal or equitable process, to pay any debt or liability of an Eligible Employee, Eligible Dependent or any other party.

8.2 Investment

All contributions, interest earned, and any assets of the Plan shall at all times be invested and managed in accordance with the Trust Agreement and the requirements of applicable law.

8.3 Parties to the Plan

Eligible Employees, Eligible Dependents and unions of each Employer are not parties to this Plan. The Plan is only a funding source for such Employer's post-retirement health care and welfare benefits and does not increase the rights of any Eligible Employee, Eligible Dependent or union.

8.4 Confidential Medical Information

Each Employer and its health care providers or other service providers shall not share confidential medical information regarding employees of the Employer with the Plan, the Trustee, or the Trust Administrator.

AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement ("Agreement") is made this _____ day of ________, 200__, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services (hereinafter "PARS") and the ____________________________ ("Agency").

WHEREAS, Agency has adopted the PARS Public Agencies Post-Retirement Health Care Plan (the "Plan"), and is desirous of retaining PARS, as Trust Administrator to the PARS Public Agencies Post-Retirement Health Care Plan Trust, to provide administrative services;

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as "Exhibit 1A" ("Services") in a timely manner, subject to the further provisions of this Agreement.

2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as "Exhibit 1B".

3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.

4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS' standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with written notice of the subject services, terms, and an estimate of the fees therefore.

5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency's providing PARS the information specified in the exhibit attached hereto as "Exhibit 1C" ("Data"). It shall be the responsibility of the Agency to certify the accuracy, content and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the

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

6. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.

7. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.

8. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.

9. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, employees, agents and attorneys, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of PARS' or Agency's, as the case may be, acts, errors or omissions with respect to the performance of their respective duties hereunder.

10. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.

12. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by such cause, including but not limited to: any incidence of fire, flood, acts of God, acts of terrorism or war, commandeering of material, products, plants or facilities by the federal, state or local government, or a material act or omission by the other party.

13. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to, and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.

14. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Board of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.

15. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

    (A) To PARS: PARS; 5141 California Avenue, Ste. 150; Irvine, CA 92617; Attention: President

    (B) To Agency: [Agency]; [Address, City, State, ZIP]; Attention: [Plan Administrator]

    Notices shall be deemed given on the date received by the addressee.

16. **Term of Agreement.** This Agreement shall remain in effect for the period beginning ____________, 2009 and ending _____________, 2012 ("Term"). This Agreement may be terminated at any time by giving ninety (90) days written notice to the other party of the intent to terminate. Absent a ninety (90) day written notice to the other party of the intent to terminate, this Agreement will continue unchanged for successive twelve month periods following the Term.

17. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.

18. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement.

In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.

19. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.

20. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.

21. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

22. **Effective Date.** This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

AGENCY:

BY: ______________________________

TITLE: ______________________________ [Plan Administrator]

DATE: ______________________________

DRAFT

PARS:

BY: ______________________________

TITLE: ______________________________

DATE: ______________________________

EXHIBIT 1A

SERVICES

PARS will provide the following services for the [Agency] PARS Public Agencies Post-Retirement Health Care Plan:

1. Plan Installation Services:
   - (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting and contribution submission requirements;
   - (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
   - (C) Providing the documentation needed to establish the Plan for review by Agency legal counsel;
2. Plan Administration Services:
   - (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Trust Program ("Trustee"), based upon information received from the Agency and the Trustee;
   - (B) Performing periodic accounting of Plan assets, reimbursements and investment activity, based upon information received from the Agency and/or Trustee;
   - (C) Coordinating the processing of reimbursement payments pursuant to authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;
   - (D) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope this Agreement;
   - (E) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
   - (F) Preparing and submitting an annual report of Plan activity to the Agency;
   - (G) Facilitating actuarial valuation updates and funding modifications for compliance with GASB 45;
   - (H) Coordinating periodic audits of the Trust;
   - (I) Monitoring Plan and Trust Compliance with federal and state laws.
3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice. In providing the services specified above, PARS will retain qualified professional service providers at its cost as it deems necessary if the service lies outside its area of expertise.

EXHIBIT 1B

FEES FOR SERVICES

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

(A) An annual asset fee paid from Plan assets based on the following schedule:

For Plan Assets from:			Annual Rate:
$0	to	$10,000,000	0.25%
$10,000,001	to	$15,000,000	0.20%
$15,000,001	to	$50,000,000	0.15%
$50,000,001	and	above	0.10%

Annual rates are subject to a monthly minimum equal to $400.00. Annual rates are prorated and paid monthly. The annual asset fee shall be calculated by the following formula [Annual Rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month]. Trustee and Investment Management Fees are not included.

(B) A fee equal to the out of pocket costs charged to PARS by an outside contractor for formatting contribution data on to a suitable magnetic media, charged only if the contribution data received by PARS from the Agency is not on readable magnetic media ("Data Processing Fee").

EXHIBIT 1C

DATA REQUIREMENTS

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

1. Contribution Data – Completed Contribution Transmittal Form signed by Plan Administrator (or authorized Designee) which contains the following information:
   (A) Agency name
   (B) Contribution amount
   (C) Signed certification of reimbursement from the Plan Administrator, or authorized Designee
2. Reimbursement Data – Completed Payment Reimbursement Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
   (A) Agency name
   (B) Payment reimbursement amount
   (C) Applicable statement date
   (D) Copy of applicable premium statement
   (E) Signed certification of reimbursement from the Plan Administrator (or authorized Designee)
3. Executed Legal Documents:
   (A) Certified Resolution
   (B) Adoption Agreement to the PARS Public Agencies Post-Retirement Health Care Plan
   (C) Trustee Investment Forms
4. Other information requested by PARS and Actuarial Provider

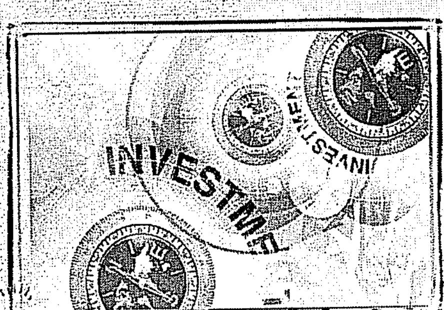
DRAFT

EXHIBIT G

Investment Services Exhibit: OPEB Trusts (GASB 45)

Complete and flexible investment options specifically designed for PARS plans

FLEXIBILITY



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PARS

Investment Services Exhibit for OPEB Trusts (GASB 45)

HighMark 100% U.S. Treasury Money Market Fund

Open-end, publicly traded mutual fund

Inception Date:	August 10, 1987
Ticker:	HMTXX
Advisor:	HighMark Capital Management

The HighMark 100% U.S. Treasury Money Market Fund seeks current income with liquidity and stability of principal. The Fund invests exclusively in U.S. Treasury securities and separately traded components of those securities called "STRIPs."

To limit the Fund's interest-rate risk, the Fund's managers will maintain an average weighted portfolio maturity of 90 days or less. In addition, each individual security in the portfolio will have a maturity of no more than 397 days.

In choosing investments for the Fund, the portfolio managers consider such factors as:

- The outlook for interest rates;
- Buying and selling activity in the Treasury market as a whole and/or demand for individual Treasury securities;
- Imbalances in the supply of Treasuries relative to demand;
- The appropriateness of particular securities to the Fund's objectives.

As of March 31, 2009

Yields (net)		Annualized Total Rate of Returns (net)	
7 Day Simple	0.02%	1-Year	0.56%
1-Mo. Simple	0.02%	3-Years	2.83%
3-Mo. Simple	0.04%	5-Years	2.49%
Average weighted maturity: 46 days		10-Years	2.70%

Past performance is no indication of future results. Please refer to page 14 for appropriate disclosures.

Diversified Portfolios

- **Reduced risk and enhanced return potential through diversification.**
  By diversifying the assets among investment styles and investment managers we will attempt to reduce your portfolio's potential liability for loss as investment styles move out of favor. Likewise, you will have the opportunity to increase return when styles move into favor.

- **Reduced risk and enhanced return potential through disciplined mutual fund selection and monitoring process.**
  We employ a rigorous due diligence process that screens investment managers and mutual funds to select quality managers with proven skill and resources to deliver competitive returns within reasonable risk parameters.

Strategy	*Investment Objective*	*Equity Allocation**
Conservative	Provide a consistent level of inflation-protected income over the long-term.	Maximum 20.0%
Moderately Conservative	Provide current income and moderate capital appreciation.	Maximum 40.0%
Moderate	Provide growth of principal and income.	Maximum 60.0%
Balanced/Moderately Aggressive	Provide growth of principal and income.	Maximum 70.0%

**Maximum allocation of total portfolio to equities in any given time period.*

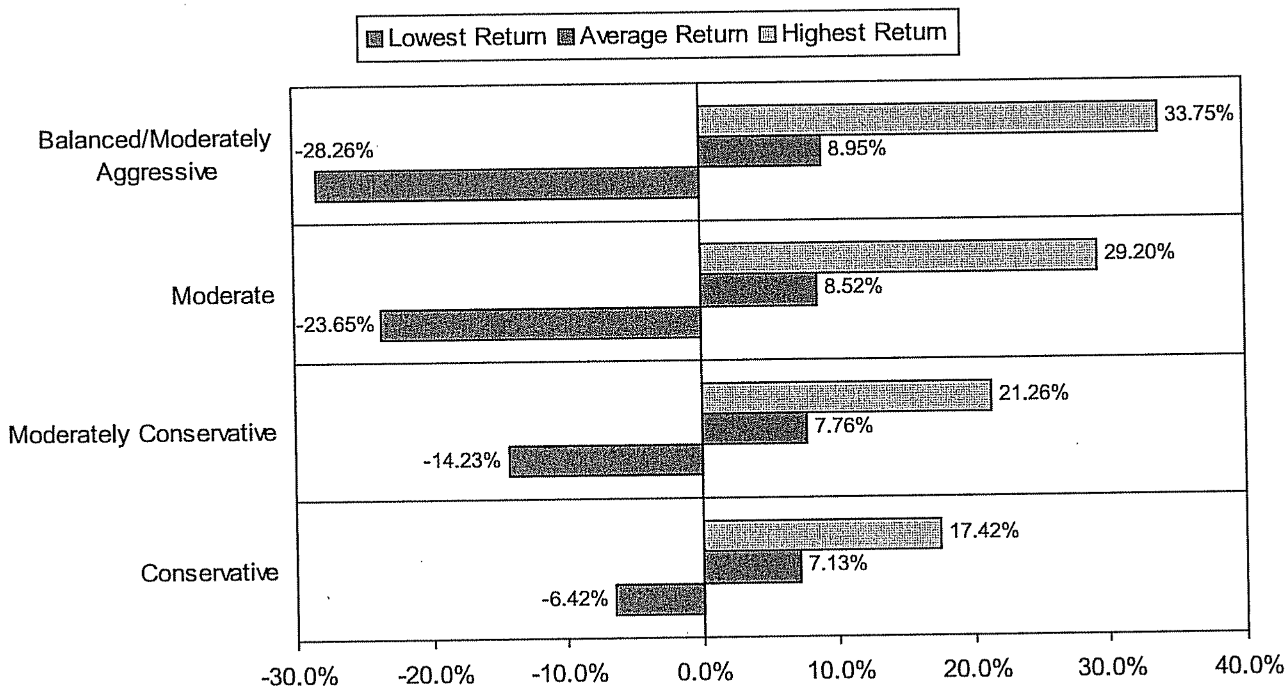
Implementation Options		
	HighMark PLUS	*Index PLUS*
Equity	Actively managed mutual funds	Exchange-Traded Funds (ETFs)*
Fixed Income	Actively managed mutual funds	Actively managed mutual funds
Cash	HighMark 100% U.S. Treasury or U.S. Government Money Market Fund	HighMark 100% U.S. Treasury or U.S. Government Money Market Fund
Fee	Ad-valorem fee on all assets not in HighMark/Union Bank funds	Ad-valorem fee on all assets not in HighMark/Union Bank funds

**More information on Exchange-Traded Funds (ETFs) is included on page 7 of this document.*

HighMark PLUS versus Index PLUS

HighMark PLUS – an active approach	Index PLUS – a passive approach
▪ Active asset allocation ▪ Exclusive use of actively managed mutual funds ▪ Ability to take advantage of anomalies in the market to outperform passive benchmarks	▪ Active asset allocation ▪ Index-based securities (ETFs) employed in equity strategy ▪ Minimizes "surprises" by tracking market indexes ▪ Lower embedded fund costs ▪ Greater transparency of holdings ▪ Limited impact of large redemptions on remaining shareholders

Rolling 1-Year Returns
June 1987 – March 2009



Conservative: 5% 30-day Treasury Bill; 40% ML 1-3 Year Govt/Corp; 40% Lehman Bros. Aggregate Bond; 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE. Moderately-Conservative: 5% 30-day Treasury Bill; 25% ML 1-3 Year Govt/Corp; 40% Lehman Bros. Aggregate Bond; 25% S&P 500, 1.5% Russell 2000, 3.5% MSCI EAFE. Moderate: 5% 30-day Treasury Bill; 15% ML 1-3 Year Govt/Corp; 30% Lehman Bros. Aggregate Bond; 43% S&P 500, 2% Russell 2000, 5% MSCI EAFE. Balanced/Moderately Aggressive: 5% 30-day Treasury Bill; 5% ML 1-3 Year Govt/Corp; 30% Lehman Bros. Aggregate Bond; 51% S&P 500, 3% Russell 2000, 6% MSCI EAFE. Prior to April 1, 2007, the blended benchmarks for the investment objectives were the following: 1) Conservative: 5% 30-day Treasury Bill; 40% ML 1-3 Year Govt/Corp; 40% Lehman Bros. Aggregate Bond; 15% S&P 500; 2) Moderately Conservative: 5% 30-day Treasury Bill; 25% ML 1-3 Year Govt/Corp; 40% Lehman Bros. Aggregate Bond; 30% S&P 500; 3) Moderate: 5% 30-day Treasury Bill; 15% ML 1-3 Year Govt/Corp; 30% Lehman Bros. Aggregate Bond; 50% S&P 500; 4) Balanced/Moderately Aggressive: 5% 30-day Treasury Bill; 5% ML 1-3 Year Govt/Corp; 30% Lehman Bros. Aggregate Bond; 60% S&P 500. Source: Ibbotson Associates (Analyzer)

Conservative Strategy

The primary goal of the Conservative Strategy is to provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.

	Strategic Range	*Policy*
Equity	5-20%	15%
Fixed Income	60-95%	80%
Cash	0-20%	5%

Moderately Conservative Strategy

The dual goals of the Moderately Conservative Strategy are current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.

	Strategic Range	*Policy*
Equity	20-40%	30%
Fixed Income	50-80%	65%
Cash	0-20%	5%

Moderate Strategy

The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments as follows:

	Strategic Range	*Policy*
Equity	40-60%	50%
Fixed Income	40-60%	45%
Cash	0-20%	5%

Balanced/Moderately Aggressive Strategy

The dual goals of the Balanced/Moderately Aggressive Strategy are growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return. The portfolio will be allocated between equity and fixed income investments as follows:

	Strategic Range	*Policy*
Equity	50-70%	60%
Fixed Income	30-50%	35%
Cash	0-20%	5%

Exchange-Traded Funds

An Exchange-Traded Fund (ETF) is a basket of stocks that closely track the composition and performance of most leading market indexes – by market capitalization, investment style, sector, or country. Unlike traditional mutual funds, ETFs work like stocks: they can be bought and sold throughout the trading day. ETFs offer several advantages of index mutual funds, including lower expense.

	ETFs	Index Mutual Funds	Non-Index Mutual Funds	Stocks
Cost-effective	●	●	Varies	●
Offer instant access to a portfolio of securities	●	●	●	
Can be priced, bought, and sold whenever the market is open	●			●
Dividends reinvest immediately	●	Varies	Varies	●
Limit consequences of other shareholders' redemptions	●			N/A
Holdings are transparent	●	Varies		●

Advantages of Exchange-Traded Funds (ETFs)

- ETFs offer the instant diversification of indexing — and more.

Index investing has become a very popular and very simple way to add market exposure in a highly diversified, cost-effective way. ETFs offer the same benefits as other index investments, but provide substantially more flexibility and a host of other advantages.

- ETFs help shield investors from the cost and performance impact of portfolio turnover.

Moving in and out of traditional mutual funds - active or index - can take its toll on portfolio performance. The costs of this activity, which include brokerage commissions, bid/ask spreads, market impact, and, in the case of some foreign stock markets, transaction taxes, are ultimately passed along to every investor in the fund. In addition, trading activity by fund managers within many portfolios may create tax consequences - such as short- and long-term capital gains distributions at year-end - that are passed through to shareholders.

ETF investors avoid many of these issues. The exchange provides the liquidity,* not the fund manager, which means the trading activity of other investors cannot affect your investment. (Please note that there may be capital gains distributions by the ETFs not related to individual investor buying and selling.)

* Although ETFs may be bought and sold on the exchange through any brokerage account, ETFs are not individually redeemable from the Fund. Investors may acquire ETFs, and tender ETFs for redemption, through the Fund in Creation Unit aggregations only.

- ETFs are cost-effective.

ETFs can be a very cost-effective way to build a portfolio or obtain targeted exposure to a specific sector. The cost of investing in ETFs is generally less than the cost of investing in most actively managed equity funds and equity index funds. Of course, ETF transactions will generate brokerage commissions, but the savings from lower fund costs can help offset these fees.

Category	Average Active Fund	Average Index Fund	ETF	Choices
Large Blend	1.34%	0.61%	0.09%	IShares S&P 500
Large Value	1.40%	0.66%	0.20% 0.18%	IShares R1000 Value IShares S&P 500 Value
Small Cap	1.60%	0.64%	0.20% 0.18%	IShares R2000 IShares S&P 600
Mid Cap	1.52%	0.33%	0.20%	IShares S&P 400
International	1.87%	0.86%	0.84%	IShares MSCI Developed Market Series
Emerging Market	2.31%	0.58%	0.99%	IShares MSCI Emerging Market Series
Tech Sector	1.77%	0.60%	0.60%	Ishares Dow Jones Tech

- ETFs reinvest dividends immediately.

Traditional mutual funds reinvest dividends quarterly, but dividends from the underlying stocks in ETFs are reinvested immediately.

- ETF investments are transparent.

When you invest in ETFs, you know exactly what you're investing in: a substantial number of ETFs fully replicate their underlying indexes, the components of which are disclosed every trading day. Traditional mutual funds, however, generally reveal their entire holdings just twice a year. Only when you can actually see what's in the fund portfolio can you evaluate how closely the fund manager is sticking to the objectives and the style of the fund.

Some ETFs, it should be noted, invest in a representative sampling of securities in the underlying index when the fund manager feels it's difficult or impractical to hold every security in the index. These kinds of fund holdings aren't as transparent as those of funds managed by full replication.

- ETFs cover a broad array of market indexes.

ETFs cover the investing front from many angles, which makes them extremely flexible investment instruments. You can invest in ETFs by market capitalization, country, style, or sector. With so many different choices, ETFs enable you to make targeted investments easily - and still attain a level of diversification that would be time-consuming and expensive to replicate by buying individual securities.

ETFs	Traditional Retail Mutual Funds
Offer intraday pricing and trading	Mutual funds typically priced and traded only at end-of-day NAV
'In-kind' creation/redemption process can reduce likelihood of tax-consequent transactions for shareholders	Net redemptions can generate taxable distributions to non-exiting shareholders
Investors purchase/sell shares through an exchange; this does not result in activity in the underlying portfolio and reduces the likelihood of tax consequences for other shareholders	Individual investor transactions – redemptions – with the fund may result in capital gains tax distribution for non-exiting shareholders
Can be traded with limit orders, stops, or stop limits (buys and sells) per exchange rules	Limit order pricing not available; transactions typically completed at end-of-day NAV
Standard margin rules apply to purchases	Funds cannot be directly purchased on margin; can be considered 'good collateral' only after being held fully paid for 30 days
Offer low to moderate expense ratios; domestic funds' ratios are lower than international funds' ratios	Offer low to moderate expense ratios depending on fund; domestic fund ratios tend to be lower than international fund ratios
Can be traded through any brokerage account	Mutual fund availability through brokers is predicated upon negotiated selling agreements; all funds not available through brokerage firms; funds can be purchased directly from fund company
Normal brokerage account commissions apply	Some funds charge sales load; some no-load funds purchased through fund supermarkets and brokers may be subject to transaction fees
Early sales/redemption fees don't apply	Fund company may impose fees for 'active' trading

Mutual Fund Selection Process

Since there are more than 14,000 mutual funds available to investors today, finding those that are among the best is a challenge. Knowing when it is time to replace a fund is equally challenging.

HighMark Capital Management has a dedicated group that is responsible for researching and selecting quality investment managers in the form of sub-advisors and mutual funds.

Our Sub-Advisory Due Diligence Group utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We've set high standards for our investment managers and funds – and we'll replace managers if they slip below these standards. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Screening Process

Screen 1: Reduce universe of available managers by using basic criteria

- Fund track record
- Fund assets
- Manager tenure in fund
- Expense ratio
- Median market-cap
- Style consistency
- Purchase constraints

Screen 2: Trim down the screened universe by using absolute requirements, and

- Size/style constraints
- Strategy assets
- Manager tenure in strategy
- Style consistency

Screen 3: Rank top-performing funds by analyzing consistency of performance relative to benchmark returns

- 12-month rolling performance versus benchmark over 3-, 5-, 7-, 10 year periods (must outperform benchmark at least 50% of all time periods)

Screen 4: Continue the reduction of the universe by analyzing performance relative to peers

- Calendar year performance versus peer group (must outperform peer group category average return 60% of the time)

Screen 5: Further reduce the universe by evaluating specific criteria

- Number of holdings
- Assets in top 10 holdings
- Composition
- Portfolio turnover
- Sector weights
- Standard deviation
- Sharpe ratio

Screen 6: Examine remaining funds to confirm and finalize short-list

- Initial purchase constraints, median market capitalization, portfolio statistics, performance

Screen 7: Evaluate top-ranked funds via 8-factor due-diligence RFP process to choose finalist(s)

- Organization (rank ownership, financial condition)
- Asset composition (rank firm assets, product assets/limits)
- People (rank experience, turnover, incentives)
- Portfolio characteristics (rank market cap ranges, portfolio statistics)
- Investment process (rank discipline, risk controls)
- Fee structure (rank reasonableness of fees for style)
- Compliance/internal controls (rank regulatory actions, litigation)
- Performance (rank manager skill)

Monitoring Process

Our mutual fund selection process is very dynamic. Once we've selected mutual funds for investment, we continue to monitor the activities, cash flows, characteristics, attribution and management of the funds.

Daily: *Performance Monitoring* / *Buy/Sell Activity*

Daily: Monitor manager performance and trading activities, watching for problems such as:

- Returns inconsistent with the manager's style or our expectations
- Performance contradictory to the manager's benchmark and/or peers
- Security selection not in agreement with the manager's investment philosophy and process
- Purchases that lead to abnormal portfolio concentrations
- Security sales that do not meet the manager's stated sell discipline

Monthly: *Risk Exposure* / *Performance Attribution*

Monthly: Portfolio risk exposures and benchmark attribution analysis is conducted. We look for:

- Sector and industry exposures that are inconsistent with the manager's investment guidelines
- Unusual tracking error to the benchmarks
- Portfolio characteristics that conflict with the strategy's benchmark weightings, such as:

Weighted market capitalization	*Yield*	*Beta*
Price to Earnings	*Price to Book*	*EPS growth*

Quarterly: *Firm Contact* / *Portfolio Analysis*

Quarterly: Managers are contacted to discuss portfolio activities. Our review process looks for:

- Inadequate transparency between the manager's comments and portfolio holdings
- Reduced communication and/or inadequate explanations from the manager
- Inconsistencies related to the manager's remarks on style, sector, and market-cap weightings
- Instability at the manager's investment management firm
- Portfolio performance that conflicts with peers and style universes

Annually: *On-Site Visits* / *Due Diligence Review*

Annually: The on-site visit and formal due diligence questionnaire review process looks for:

- Alterations to the firm's culture that detract from its healthy environment
- Investment management distractions resulting from product additions, system or vendor changes, business growth or asset liquidations
- Modifications to the investment process and/or risk controls that interfere with the strategy's discipline
- Staffing adjustments that may result in poor performance

HighMark Capital Management, Inc., a registered advisor, is a wholly owned subsidiary of Union Bank, N.A., and serves as investment advisor for HighMark Funds. Union Bank, N.A., a subsidiary of UnionBanCal Corporation, provides certain services to the Funds and is compensated for these services. HighMark Funds are distributed by HighMark Funds Distributors, Inc., an affiliate of PFPC Distributors, Inc. Shares in the HighMark Funds and investments in HighMark Capital Management strategies are not deposits, obligations of, or guaranteed by the advisor, its parent or any affiliates.

The performance data quoted represents past performance and is not a guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

An investment in the money market funds, stable value fund or any of the investment portfolios are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although the money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.

In addition to the normal risks associated with equity investing, international investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations.

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EXHIBIT H

PARS OPEB (GASB 45)
Discretionary Trustee Fee Schedule

Trustee/Custodial Fees

All Plan assets.. ....Waived

Investment Management Fees

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

- **HighMark U.S. Treasury Money Market** – Fund level fees only (see prospectus)

- **Diversified Portfolios (Conservative, Moderately Conservative, Moderate, Balanced/ Moderately Aggressive):**

Per Annum Charges

0.35%	on the first $5,000,000
0.25%	on the next $5,000,000
0.20%	on the next $5,000,000
0.15%	on the next $35,000,000
0.10%	on all assets over $50,000,000

**waived for plan assets invested in HighMark Funds*

Other Fees

HighMark Mutual Funds .... See prospectus and mutual fund disclosure

Exchange Traded Funds .... See PARS Investment services agreement

PLAN SPONSOR

Name of Trust	*Name of Plan*
Name of Authorized Signer for Plan Sponsor	*Title*
Signature of Authorized Signer for Plan Sponsor	*Date*

UNION BANK OF CALIFORNIA

EXHIBIT I

Investment Strategy Selection and Disclosure Form
PARS OPEB (GASB 45)

Agency or District: MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT

Plan Name: ____________________

To: HighMark Capital Management, Inc. and Union Bank of California, N.A.
Union Bank of California, N.A. has been or is hereby appointed Investment Manager of the above-referenced Plan. Please invest the assets of the above-referenced Plan and Trust for which you have been appointed Investment Manager in the **(select one)**:

		Strategy	Investment Objective	Allocation
	☐	HighMark U.S. Treasury Money Market Fund	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations.	Money Market Fund
	☐	HighMark Diversified Money Market Fund	Provides current income with liquidity and stability of principal through investments in high-quality, short-term debt securities	Money Market Fund
Diversified Portfolios	☐	Conservative HighMark PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20% Fixed Income: 60-95% Cash: 0-20%
	☐	Conservative Index PLUS (Passive)		
	☐	Moderately Conservative HighMark PLUS	Provide current income with capital appreciation as a secondary objective.	Equity: 20-40% Fixed Income: 50-80% Cash: 0-20%
	☐	Moderately Conservative Index PLUS (Passive)		
	☐	Moderate HighMark PLUS	Provide current income and moderate capital appreciation.	Equity: 40-60% Fixed Income: 40-60% Cash: 0-20%
	☐	Moderate Index PLUS (Passive)		
	☒	Balanced/Moderately Aggressive HighMark PLUS	Provide growth of principal and income.	Equity: 50-70% Fixed Income: 30-50% Cash: 0-20%
	☐	Balanced/Moderately Aggressive Index PLUS (Passive)		
	☐	Custom	Specify:	Equity: Fixed Income: Cash:

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

Date: ____________________

____________________ (Authorized Signer)

Executive
____________________ (Title)

____________________ (Authorized Signer)

____________________ (Title

EXHIBIT J

INVESTMENT GUIDELINES DOCUMENT

Mojave Air Quality Management District

Investment Guidelines Document

Overview

In response to the Government Accounting Standards Board (GASB) Statement Number 45 new disclosure requirements for Other Post-employment Benefit (OPEB) Plans, the Mojave Air Quality Management District (AQMD) has adopted a Section 115 Trust and Plan that seeks to satisfy these liabilities for certain eligible employees

Executive Summary

Client Name: **Mojave Air Quality Management District**

Investment Authority: Full Investment Authority

Account Number: To be determined

Current Assets: **$100,000 (est. November 2009)**

Risk Tolerance: **High**

Time Horizon: Long-Term

Investment Objective: The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth below. The Plan's targeted rate of return is 7.0%. The Investment objective the City has selected is the Moderate Aggressive Investment Objective. The asset allocation ranges for this objective are listed below:

Strategic Ranges: 0 - 20% Cash
30 - 50% Fixed Income
50 - 70% Equity

Communication Schedule: Meetings at least once a year.

HCM Portfolio Manager: Andrew Brown, CFA 415-705-7605
Andrew.Brown@Unionbank.com

HCM Back up -Portfolio Manager: Anne Wimmer, CFA 310-550-6457
Anne.Wimmer@Unionbank.com

UBOC Administrative Officer: Fran Schoenfeld, 949-553-7961
Fran.Schoenfeld@Unionbank.com

The managing director for HighMark Capital Management is Kevin Rogers, he can be reached at 949-553-2580

Portfolio Constraints

Income Needs/Cash Flow Required: Cash distributions are expected to be modest in the initial years of the Plan.

Unique Needs and Circumstances: None at this time.

Client(s) Signature: ____________________ **Date:** ____________________

HCM Portfolio Manager: ____________________ **Date:** ________________

UBOC Administrative Officer: ________________ **Date:** ________________

Detailed Information for Investment Guidelines Document

Overview

The purpose of this Investment Guidelines document (IGD) is to assist you and your Portfolio Manager in effectively supervising, monitoring and evaluating the investment of your portfolio. Your investment program is defined in the various sections of the IGD by:

1. Stating in a written document your attitudes, expectations, objectives and guidelines for the investment of all assets.

2. Setting forth an investment structure for managing your portfolio. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.

3. Encouraging effective communications between you and your Portfolio Manager.

4. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, and federal entities that may impact your assets

Diversification

Your Portfolio Manager is responsible for maintaining the balance between fixed income and equity securities based on the asset allocation. The following parameters shall be adhered to in managing the portfolio:

Fixed Income

- The long-term fixed income investments (greater than seven-years in maturity) shall constitute no more than 20%, and as little as 0% of the total Plan assets.
- The intermediate-term fixed income investments (between three-seven years in maturity) shall constitute no more than 50%, nor less than 15% of the total Plan assets.
- The high-yield portion of the Plan shall constitute no more than 8%, and as little as 0% of the total Plan assets.
- The convertible bond exposure shall constitute no more than 8%, and as little as 0% of the total Plan assets.
- The short-term fixed income investments (between one-three years in maturity) shall constitute no more than 15%, and as little as 0% of the total Plan assets.

Equity

- The domestic large cap equity investments of the Plan shall constitute no more than 50% nor less than 20% of the total Plan assets.

- The domestic mid-capitalization equity investments of the Plan shall constitute no more than 15%, and as little as 0% of the total Plan assets.
- The domestic small capitalization equity investments of the Plan shall constitute no more than 20% nor less than 0% of the total Plan assets.
- The international equity investments of the Plan shall constitute no more than 20% and as little as 0% of the total Plan assets.
- The real estate investments of the Plan shall constitute no more than 10% and as little as 0% of the total Plan assets.

Permitted Asset Classes and Security Types

The following asset classes and security types have been approved by HighMark for use in client portfolios:

Asset Classes

- Fixed Income
  - Domestic Bonds
  - Non-U.S. Bonds
- Equities
  - Domestic
  - Non-U.S.
  - Emerging Markets
  - Real Estate Investment Trust (REITs)
- Cash and Cash Equivalents

Security Types

- Equity Securities
  - Domestic listed and unlisted securities
  - Equity and equity-related securities of non-US corporations, in the form of American Depository Receipts ("ADRs")
- Equity Mutual Funds
  - Large Cap Core, Growth and Value
  - Mid Cap Core, Growth and Value
  - Small Cap Core, Growth and Value
  - International and Emerging Markets
  - REITs
- Exchange Traded Funds (ETFs)
- Fixed Income Securities
  - Government/Agencies
  - Mortgage Backed Bonds
  - Corporate Bonds and Notes
- Fixed Income Mutual Funds
  - Corporate
  - Government
  - High Yield
  - International and Emerging Market
  - Convertible
  - Preferred
- Closed end funds
- Cash and Cash Equivalents
  - Money Market Mutual Fund
  - Commercial Paper
  - CDs and Bankers Acceptance
  - Repurchase Agreements

Prohibited assets

- Precious metals
- Venture Capital
- Short sales
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions
- Commodities Transactions Puts, calls, straddles, or other option strategies,
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs

Rebalancing Procedures

From time to time, market conditions may cause your asset allocation to vary from the established target. To remain consistent with the asset allocation guidelines established by this Investment Guidelines document, your Portfolio Manager will rebalance the portfolio on a quarterly basis.

Duties of Responsibilities of Portfolio Manager

Your portfolio manager is expected to manage your portfolio in a manner consistent with this Investment Guidelines document and in accordance with State and Federal law and the Uniform Prudent Investor Act. HighMark Capital Management is a registered investment advisor and shall act as such until you decide otherwise.

Your portfolio manager shall be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Advising the committee about the selection of and the allocation of asset categories.
3. Identifying specific assets and investment managers within each asset category.
4. Monitoring the performance of all selected assets.
5. Recommending changes to any of the above.
6. Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
7. Preparing and presenting appropriate reports.
8. Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

You shall be responsible for:

1. The oversight of the investment portfolio.
2. Providing your portfolio manager with all relevant information on the Plan, and shall notify him or her promptly of any changes to this information.
3. Advising your portfolio manager of any change in the Plan's circumstances, such as a change in the actuarial assumptions, which could possibly necessitate a change to your overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to your overall investment objective and goals for the portfolio.
4. Monitoring performance by means of regular reviews to assure that objectives are being met and that the policy and guidelines are being followed.

Communication

As a matter of course, your portfolio manager shall keep you apprised of any material changes in HighMark Capital's outlook, recommended investment policy and tactics. In addition, your portfolio manager shall meet with you no less than annually to review and explain the portfolio's investment results and any related issues. Your portfolio manager shall also be available on a reasonable basis for telephone communication when needed.

Any material event that affects the ownership of HighMark Capital Management or the management of the portfolio must be reported immediately to you.

Disclosures

Union Bank N.A. and HighMark Capital Management, Inc. are wholly owned subsidiaries of UnionBanCal Corporation. Investments are not deposits or bank obligations, are not guaranteed by any government agency, and involve risk, including loss of principal