

SAUSALITO-MARIN CITY SANITARY DISTRICT

RESOLUTION NO. 971

RESOLUTION ADOPTING AMENDMENT TO DEFERRED COMPENSATION PLAN WITH HARTFORD LIFE INSURANCE

RESOLVED, by the Board of Directors of Sausalito-Marín City Sanitary District, Marin County, California as follows:

WHEREAS, the Sausalito-Marín City Sanitary District (hereinafter "District"), by Resolution No. 958 in January, 2012, has previously reaffirmed participation in a deferred compensation plan (hereinafter "Plan") with Hartford Life Insurance Company to provide employees of the District with retirement benefits; and

WHEREAS, the District desires to amend the Plan to provide a provision for participant loans and establish a Participant Loan Program as set forth in the Plan and under the Code; and

NOW THEREFORE, BE IT RESOLVED, that, effective November 5, 2012, the District hereby amends the Plan by adding Section V: Loans:

5.1 Loans

The Employer may elect to make loans available to Participants who are Employees. If the Employer has elected to make loans available to Participants who are Employees, the Employer shall establish written guidelines governing the granting and administration of loans, which are hereby incorporated into and made part of the Plan provided that such guidelines are approved by the Administrator and are not inconsistent with the provisions of this Section V. To the extent such guidelines are more restrictive than the provisions of the Plan and are not inconsistent with the provisions of Code Section 72(p) and regulations issued thereunder, the guidelines shall be controlling.

Except as modified by the Plan's loan program policy and procedures adopted by the Administrator, the following rules shall apply to loans under the Plan. Any loans that are issued under the Plan shall be administered in a manner consistent with the requirements of Code Section 72(p), Treasury Regulations 1.72(p) and any other applicable guidance issued thereunder.

5.2 Maximum Loan Amount

No loan to a Participant hereunder may exceed the lesser of:

- 5.2.1 \$50,000, reduced by the excess (if any) of (i) the highest outstanding balance of loans from the Plan during the preceding one-year period ending on the day before the date the loan is approved by the Administrator (not taking into account any payments made during such one-year period) over (ii) the outstanding balance of loans from the Plan on the date the loan is approved by the Administrator; or
- 5.2.2 one half of the value of the Participant's Account Balance (as of the Valuation Date immediately preceding the date on which such loan is approved by the Administrator).

For purposes of this Section 5.2, any loan from any other plan maintained by a participating employer shall be treated as if it were a loan made from the Plan, and the Participant's vested

interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan under this Section 5.2 to exceed the amount that would otherwise be permitted in the absence of this paragraph.

5.3 Terms of Loan

The terms of the loan shall:

- 5.3.1 charge a reasonable interest rate commensurate with current interest rates charged for loans made under similar circumstances by persons in the business of lending money (subject to the requirements of the Servicemembers Civil Relief Act).
- 5.3.2 require that the minimum loan term be 12 months;
- 5.3.3 require that the loan be repaid within five years unless the Participant certifies in writing to the Administrator that the loan is to be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence (as defined in Code Section 121) of the Participant;
- 5.3.4 require substantially level amortization of such loan with payments not less frequently than quarterly throughout the repayment period. If a loan is made from both a Participant's Roth Contribution account and his or her other accounts under the Plan, the level amortization requirement shall be met with respect to both his or her Roth Contributions account and his or her other accounts under the Plan. Notwithstanding the foregoing, if so provided in the written guidelines applicable to Plan loans, the amortization schedule may be waived and payments suspended while a Participant is on a leave of absence from employment with an Employer (for periods in which the Participant does not perform military service as described in paragraph (d)), provided that all of the following requirements are met:
 - 5.3.4.1 Such leave is either without pay or at a reduced rate of pay that, after withholding for employment and income taxes, is less than the amount required to be paid under the amortization schedule;
 - 5.3.4.2 Payments resume after the earlier of (1) the date such leave of absence ends or (2) the one-year anniversary of the date such leave began;
 - 5.3.4.3 The period during which payments are suspended does not exceed one year;
 - 5.3.4.4 Payments resume in an amount not less than the amount required under the original amortization schedule; and
 - 5.3.4.5 The waiver of the amortization schedule does not extend the period of the loan beyond the maximum period permitted under this Section 5.3.
- 5.3.5 If a Participant is absent from employment with any participating employer for a period during which he or she performs services in the uniformed services (as defined in chapter 45 of title 38 of the United States Code), whether or not such services constitute qualified military service, the suspension of payments shall not be taken into account for purposes of applying paragraph 5.3.4 of this Section 5.3 provided that all of the following requirements are met:

- 5.3.5.1 Payments resume upon completion of such military service;
- 5.3.5.2 Payments resume in an amount not less than the amount required under the original amortization schedule and continue in such amount until the loan is repaid in full;
- 5.3.5.3 Upon resumption, payments are made no less frequently than required under the original amortization schedule and continue under such schedule until the loan is repaid in full; and
- 5.3.5.4 The loan is repaid in full, including interest accrued during the period of such military service, no later than the maximum period otherwise permitted under this Section V extended by the period of such military service.
- 5.3.6 The loan shall be evidenced by a legally enforceable agreement that demonstrates compliance with the provisions of this Section.

5.4 Security for Loan; Default

- 5.4.1 Security. Any loan to a Participant under the Plan shall be secured by the pledge of the portion of the Participant's Account Balance in the Plan invested in such loan.
- 5.4.2 Default. In the event that a Participant fails to make a loan payment under this Section V on the last business day before the end of the calendar quarter following the quarter in which the payment is due, unless payment is not made because the Participant is on a bona fide leave of absence as determined by the Administrator and the amortization schedule is suspended while the Participant is on leave of absence from employment with an Employer, a default on the loan shall occur. In the event of such default, (i) all remaining payments on the loan shall be immediately due and payable (including accrued interest) at the time of the default, and (ii) interest shall continue to accrue on the outstanding loan balance until the loan is foreclosed.

In the case of any default on a loan to a Participant, the Administrator shall apply the portion of the Participant's interest in the Plan held as security for the loan in satisfaction of the loan on the date of Severance from Employment. In addition, the Administrator may take any legal action it shall consider necessary or appropriate to enforce collection of the unpaid loan, with the costs of any legal proceeding or collection to be charged to the Account Balance of the Participant.

Notwithstanding anything elsewhere in the Plan to the contrary, in the event a loan is outstanding hereunder on the date of a Participant's death, his or her estate shall be his or her Beneficiary as to the portion of his or her interest in the Plan invested in such loan (with the Beneficiary or Beneficiaries as to the remainder of his or her interest in the Plan to be determined in accordance with otherwise applicable provisions of the Plan).

5.5 Repayment

A Participant shall be required, as a condition to receiving a loan, to enter into an agreement for the repayment of the loan in accordance with a method set forth in the written guidelines governing the granting of Plan loans that are established by the Employer pursuant to Section 5.1.

A Participant may prepay the entire outstanding balance of his or her loan at any time (but may not make a partial prepayment).

BE IT FURTHER RESOLVED, that, effective with the approval of this Resolution, the District hereby amends the Plan by adding a Participant Loan Program.

* * * * *

I certify that the foregoing Resolution was duly and regularly adopted by the Board of Directors of the Sausalito-Marín City Sanitary District, Marin County, California, at a meeting thereof held on the 5th day of November 2012, by the following vote.

AYES, and in favor thereof, Directors: Beers, Gergus, Rheiner, Ring

NOES, Directors:

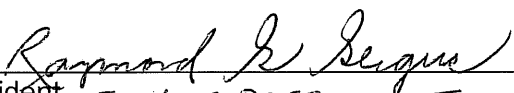
ABSTAIN, Directors:

ABSENT, Directors: Arnott



District Secretary
Sausalito-Marín City Sanitary

APPROVED:

Acting 

President - VICE PRESIDENT