

NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
Insured: Moody's: "Aaa"
S&P: "AAA"
Underlying: Moody's: "A-1"
S&P: "AA"
(See "RATINGS" herein.)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2006 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 206 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Agency, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$68,730,000
CENTRAL MARIN SANITATION AGENCY
REVENUE BONDS
SERIES 2006

Dated: Date of Delivery

Due: September 1, as shown below

The Series 2006 Bonds are being sold to (i) finance improvements to the wastewater treatment and disposal system (the "Wastewater Treatment System") of the Central Marin Sanitation Agency (the "Agency") located in Marin County, California, consisting primarily of improvements to the Agency's Treatment Plant to increase capacity for wet weather flows and (ii) pay costs of issuance of the Series 2006 Bonds. The Agency is a joint powers agency that provides wastewater treatment and disposal service to three of its member agencies that are special districts in Marin County, California (the "Participating Members").

Interest due on the Series 2006 Bonds is payable semiannually on March 1 and September 1 in each year commencing March 1, 2007. The Series 2006 Bonds are being issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2006 Bonds will not receive certificates representing their beneficial ownership in the Series 2006 Bonds but will receive credit balances on the books of their respective nominees.

The Series 2006 Bonds are being issued pursuant to a Master Indenture, dated as of October 1, 2006, as supplemented by a First Supplemental Indenture, dated as of October 1, 2006 (collectively, the "Indenture"), each by and between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Series 2006 Bonds are special obligations secured by and payable solely from Net Revenues consisting primarily of payments to be received from the Participating Members pursuant to a Payment Agreement and amounts on deposit in certain funds and accounts established by the Indenture. Pursuant to the Payment Agreement each Participating Member agrees to pay its share of the debt service on the Series 2006 Bonds and amounts required to satisfy the Agency's Rate Covenant (as defined herein) under the Indenture (the "Payments") and to set rates and charges for its wastewater customers in an amount sufficient to pay such Payments and meet certain other obligations to the Agency.

The scheduled payment of principal of and interest on the Series 2006 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2006 Bonds by MBIA Insurance Corporation (the "Bond Insurer").

[Bond Insurer Logo]

The Series 2006 Bonds are subject to optional and mandatory sinking fund redemption as more fully described herein.

The Series 2006 Bonds are special obligations of the Agency and are payable, as to interest thereon and principal thereof and redemption premiums, if any, thereon, exclusively from the Net Revenues and such other funds as provided under the Indenture, and the Agency is not obligated to pay the Series 2006 Bonds except from the Net Revenues and such other funds. The obligation of the Agency to pay interest on, principal of and redemption premiums, if any, on the Series 2006 Bonds and the Participating Members to pay the Payments does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The Agency has no taxing power.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE
\$47,820,000 Serial Bonds

<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> † (154076)	<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> † (154076)
2008	\$1,670,000	4.00%	3.42%	AA1	2018	\$2,545,000	5.00%	3.92%	AL7
2009	1,735,000	4.00	3.44	AB9	2019	2,665,000	4.00	4.03	AM5
2010	1,805,000	3.75	3.47	AC7	2020	2,775,000	4.125	4.06	AN3
2011	1,880,000	4.25	3.50	AD5	2021	2,905,000	5.00	4.08	AP8
2012	1,955,000	3.50	3.55	AE3	2022	3,050,000	5.00	4.12	AQ6
2013	2,040,000	5.00	3.59	AF0	2023	3,195,000	4.25	4.28	AR4
2014	2,135,000	4.50	3.63	AG8	2024	3,335,000	4.30	4.36	AS2
2015	2,235,000	4.50	3.72	AH6	2025	3,480,000	4.30	4.36	AT0
2016	2,335,000	4.00	3.77	AJ2	2026	3,650,000	5.00	4.25	AU7
2017	2,430,000	4.25	3.85	AK9					

\$7,820,000 4.375% Term Bonds due September 1, 2028; Price: 99.00%; CUSIP: 154076AV5

\$13,090,000 4.375% Term Bonds due September 1, 2031; Price: 98.00%; CUSIP: 154076AW3

The Series 2006 Bonds will be offered when, as and if issued, subject to approval as to legality by Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by County Counsel of Marin County, San Rafael, California, acting as Counsel to the Agency, and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the Series 2006 Bonds, in book entry form, will be available for delivery in New York, New York, on or about October 19, 2006.

Dated: October 12, 2006

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2006 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2006 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency, any other matters described in this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The issuance and sale of the Series 2006 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

CENTRAL MARIN SANITATION AGENCY

BOARD OF COMMISSIONERS

Bob Sinnott	Chair
Albert Boro	Vice-Chair
John Dupar	Secretary
Patrick Guasco	Commissioner
Paul Cohen	Commissioner
Sue Brown	Commissioner
Patty Burke	SD#1 Alternate
Vic Canby	SD#1 Alternate
Marcia Johnson	SD#1 Alternate
Cyr Miller	SRSD Alternate
Kathy Hartzell	Larkspur Alternate
Jin Yang	SD#2 Alternate

MANAGEMENT

Jason Dow, General Manager
Fred Weiner, Business Services Manager

FINANCIAL ADVISOR

Public Financial Management
San Francisco, California

BOND COUNSEL/DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
San Francisco, California

AGENCY COUNSEL

County Counsel of Marin County
San Rafael, California

TRUSTEE

Deutsche Bank National Trust Company
San Francisco, California

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\$68,730,000
CENTRAL MARIN SANITATION AGENCY
REVENUE BONDS
SERIES 2006

INTRODUCTION

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of Central Marin Sanitation Agency, Revenue Bonds, Series 2006 (the "Bonds"), in the aggregate principal amount of \$68,730,000. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Certain capitalized terms used herein and not defined herein will have the meaning given such terms in Appendix C hereto entitled "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Series 2006 Project

The Series 2006 Bonds are being sold to (i) finance improvements to the wastewater treatment and disposal system (the "Wastewater Treatment System") of the Central Marin Sanitation Agency (the "Agency") located in Marin County, California, consisting primarily of improvements to the Agency's Treatment Plant to increase capacity for wet weather flows (the "Series 2006 Project") and (ii) pay costs of issuance of the Series 2006 Bonds.

Central Marin Sanitation Agency and the Participating Members

The Agency is a joint powers agency that provides wastewater treatment and disposal service to three of its member agencies that are special districts in Marin County, California (the "Participating Members"). The Participating Members are San Rafael Sanitation District ("SRSD"), Sanitary District No. 1 of Marin County ("San District No. 1" or "SD1") and Sanitary District No. 2 of Marin County ("San District No. 2" or "SD2"). The Participating Members provide wastewater collection service in the central portion of Marin County, California.

The Agency serves 55,292 equivalent dwelling units (EDUs) (representing an average of 2.3 people per EDU for residential units) with an estimated population of approximately 102,000 in the combined service areas of the Participating Members. The Agency encompasses approximately 42 square miles and for fiscal year 2005-06 the real property in the Agency service area had an assessed valuation of \$16,816,998,140. See Appendix A - "Information on the Participating Members and Information about the CMSA Service Area" attached hereto.

Security for the Bonds

The Series 2006 Bonds are being issued pursuant to a Master Indenture, dated as of October 1, 2006, as supplemented by a First Supplemental Indenture, dated as of October 1, 2006 (collectively, the "Indenture"), each by and between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Series 2006 Bonds are special

obligations secured by and payable solely from Net Revenues consisting primarily of payments to be received from the Participating Members pursuant to a Payment Agreement and amounts on deposit in certain funds and accounts established by the Indenture. Pursuant to the Payment Agreement each Participating Member agrees to pay its share of the debt service on the Series 2006 Bonds and amounts required to satisfy the Agency's Rate Covenant (as defined herein) under the Indenture (the "Payments") and to set rates and charges for its wastewater customers in an amount sufficient to pay such Payments and meet certain other obligations to the Agency. The Series 2006 Bonds are the first bonds or debt issued by the Agency.

MBIA Insurance Corporation (the "Bond Insurer") has issued a commitment to issue, simultaneously with the issuance of the Series 2006 Bonds, a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") guaranteeing the payment, when due, of the principal of and interest on the Series 2006 Bonds. See the caption "BOND INSURANCE" herein.

Continuing Disclosure

The Agency and the Participating Members have covenanted for the benefit of the beneficial owners of the Series 2006 Bonds to provide certain financial information and operating data no later than 210 days following the end of the fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year 2006-07, and the Agency has covenanted to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in Appendix E — "FORMS OF CONTINUING DISCLOSURE CERTIFICATES."

Other Matters

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. Reference is made to Appendix C for certain of the defined terms in the Indenture and the Payment Agreement.

Additional Information

Copies of the Indenture and the Payment Agreement will be available for inspection at the offices of Agency, and will be available upon request and payment of duplication costs from the Trustee. Information regarding this Official Statement may be obtained by contacting the General Manager, Central Marin Sanitation Agency, 1301 Anderson Drive, San Rafael, California, 99490.

THE PROJECT

The proceeds of the Series 2006 Bonds will be used to (i) finance improvements to the Agency's wastewater treatment facilities, consisting primarily of improvements to the Agency's Treatment Plant to increase the capacity for the wet weather flows ("the Series 2006 Project") and (ii) pay costs of issuance of the Series 2006 Bonds, including underwriter's discount and bond insurance.

The Series 2006 Project includes major improvements that will expand the wet weather capacity of the Treatment Plant from 90 million gallons per day ("mgd") to 125 mgd, and expand the Agency's effluent storage pond from 3.2 million gallons to 7 million gallons. In addition to the storage pond work, the construction includes building two new primary clarifiers, two chlorine contact tanks, a polymer chemical feed facility, an effluent pump station with standby power systems, and various secondary treatment process improvements. The increased capacity to 125 mgd will accommodate a five-year design flow event at a collection system hydraulic limit of 125 mgd. The pump station will be sized to accommodate an additional pump that if added in the future (not part of the 2006 Project) will increase the capacity to 155 mgd.

The Agency's new wet weather improvements to its wastewater treatment facilities (the "Treatment Plant") will be located on the site of the Treatment Plant at 1301 Anderson Drive in San Rafael, California. The Treatment Plant was originally designed to provide secondary treatment for flows up to 30 mgd, primary treatment for flows up to 90 mgd, and a hydraulic capacity of up to 125 mgd, depending on tide elevation. During high wet weather flows, a portion of the primary effluent is routed to the chlorine contact tanks and blended with secondary effluent. The blended effluent is then disinfected/dechlorinated before being discharged into San Francisco Bay via a submerged outfall. A 3 million gallon effluent storage pond is currently available onsite to provide temporary storage of disinfected effluent.

The Agency has historically experienced significant wet weather flows during the fall and winter seasons in the San Francisco Bay Area. During the recent 2005-2006 wet weather season, recorded plant flows reached an instantaneous peak influent flow of about 115 mgd, or about 15 times the current average dry-weather flow of approximately 8 mgd. As new upstream improvements are planned and implemented by the Participating Members, the Agency expects increased wet weather flows, sometimes in excess of current maximum plant hydraulic capacity at high tides (90 mgd). The 2006 Project is designed to prevent potential effluent overflows and provide improved public health and environmental protection.

The Agency's Treatment Plant began operation in 1985. The dry weather flow at that time was about 8 mgd and the peak wet weather flow was close to 58 mgd. This large variance in flow is caused by rainwater entering broken sewer pipelines and manholes during storm events, and to a lesser extent from illegal storm water connections to the sanitary sewer system. During design, an analysis was conducted to evaluate the cost of building a large treatment plant to accommodate the wide range of flows or to rehabilitate the sewer collection systems of the Participating Members to prevent the rainwater from entering the systems. The decision to build a large plant was both the lower cost alternative and could be done faster than assessing the condition of the sewer systems and making the required repairs.

The Treatment Plant designers projected 2002 wet weather flows to be about 80 mgd and hence the Treatment Plant was designed to treat and process that flowrate. A few years ago, the Agency began tracking the flows and treatment levels during major wet weather events. In 2002, the Agency reached a peak flow of 104 mgd, and in 2003 the peak was 109 mgd. The Agency also initiated a program to monitor rainfall amounts, tides, flows, and treatment performance during the wet weather season. The data from 2003 and 2004 clearly showed that treatment performance significantly decreased when flows exceeded 90 mgd, and that at such times, the Agency was in jeopardy of exceeding its regulatory discharge permit.

In 2004, the Agency hired an engineering consultant to conduct a study to develop alternatives to address wet weather flows. The scope of the study was to determine the process and hydraulic capacity of the Treatment Plant's unit processes, develop a relationship between rainfall and infiltration into the sewer collection systems and predict the resultant flows at the Plant, and to identify feasible alternatives to increase the capacity of the Treatment Plant for various wet weather events. The study was finished in the early summer of 2005, and recommended that the plant be expanded from 90 mgd to 125 mgd to accommodate a 5-year design flow event, and that the Agency expand its storage pond to 7 million gallons.

As part of preliminary design, seismic design criteria were reviewed and established for the Series 2006 Project. The design of the new structures will provide an anticipated level of performance that meets or exceeds the requirements of the California Building Code.

The Engineer for this major part of the 2006 Project is Carollo Engineers, Walnut Creek, California. The scope also includes a peer design review process that will supplement the Agency's project team's technical review efforts. This peer review will be conducted by CH2MHill, Inc. Oakland, California and will focus on cost-effective engineering design, cost estimation, and constructability issues. Final design of this major part of the Series 2006 Project is underway and is estimated to be 50% complete as of October 2006. Completion of final design is expected by June 2007.

The cost of construction for the Series 2006 Project is currently estimated to be about \$47.2 million, with approximately \$4.76 million spent on design and \$6.5 million on construction inspection and contract administration. This cost estimate includes a 25% contingency.

The Project is scheduled to be advertised for bidding in June 2007, with bids being opened in September 2007. Construction is planned to be completed and the new improvements operational in early 2010. There can be no assurance that the Project will be completed within the Agency's estimated budget and schedule.

Pursuant to the California Environmental Quality Act, on June 13, 2006, the Agency Board accepted and certified an Initial Study/Mitigated Negative Declaration for the Series 2006 Project. The mitigations are primarily associated with construction of the Series 2006 Project and not with its operation.

The 2006 Project also includes various facility and equipment improvements, such as to dewatering, vector station, aeration system, tanks, compressors, drives, meters, digester mixing

and chemical injection. The current estimated costs of these improvements are \$5.82 million including design, engineering, construction, and installation costs.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Project.

Sources:	
Par Amount	\$68,730,000
Net Original Issue Premium	<u>1,147,389</u>
	\$69,877,389
Uses:	
Project Fund	\$64,285,844
Reserve Fund	4,754,281
Underwriter's Discount	380,764
Costs of Issuance ⁽¹⁾	<u>456,500</u>
Total Uses	\$69,877,389

⁽¹⁾ Estimate includes legal and financing costs, including fees of financial advisor, printing costs, bond insurance premium, initial fees of the Trustee, advertising costs, Bond Counsel and Disclosure Counsel fees and certain other costs.

THE SERIES 2006 BONDS

General

The Series 2006 Bonds will be dated the initial date of delivery thereof, and interest will be payable from such date at the rates set forth on the cover page of this Official Statement, on March 1 and September 1 of each year, commencing March 1, 2007 (the "Interest Payment Dates"). Interest on the Series 2006 Bonds will be calculated on the basis of a 360 day year consisting of twelve 30 day months. The Series 2006 Bonds will mature in the amounts and on the dates set forth on the cover page of this Official Statement. The Series 2006 Bonds will be issued in fully registered form, individual purchases being made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the Series 2006 Bonds are payable by the Trustee to The Depository Trust Company, New York, New York ("DTC"), as the registered Owner of the Series 2006 Bonds, which will in turn remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2006 Bonds. See Appendix F — "INFORMATION CONCERNING DTC" attached hereto.

Redemption

Optional Redemption. The Series 2006 Bonds maturing by their terms on or after September 1, 2017, are subject to optional redemption by the Agency prior to their respective stated maturity dates on any date on or after September 1, 2016, as a whole or in part in such principal amounts and from such maturity dates as selected by the Agency, from funds derived by the Agency from any lawful source, at a redemption price equal to the principal amount of the

Bonds or the portions thereof redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2006 Bonds with a stated maturity of September 1, 2028 and September 1, 2031 (the "Term Bonds") are subject to mandatory redemption prior to such stated maturity in part (by lot) on any September 1 as shown in the following tables, in integral multiples of \$5,000 at a redemption price of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. The Term Bonds will be redeemed in the amounts and upon the dates as follows:

\$7,820,000 Term Bond Maturing September 1, 2028

<u>Redemption Date</u> <u>(September 1)</u>	<u>Amount</u>
2027	\$3,825,000
2028	3,995,000

\$13,090,000 Term Bond Maturing September 1, 2031

<u>Redemption Date</u> <u>(September 1)</u>	<u>Amount</u>
2029	\$4,175,000
2030	4,360,000
2031	4,555,000

Redemption Procedures. Whenever less than all the Outstanding Series 2006 Bonds maturing on any one date are called for redemption at any one time, the Trustee will select the Series 2006 Bonds to be redeemed (from the Outstanding Bonds maturing on such date not previously selected for redemption) by lot in any manner which the Trustee deems fair; *provided*, that if less than all Outstanding Term Bonds of any Series of the Bonds maturing on any one maturity date are called for redemption from proceeds other than Sinking Fund Account Installment Payments at any one time, the Agency will specify in a Certificate of the Agency filed with the Trustee a reduction in future Sinking Fund Account Installments required to be made with respect to such Term Bonds (in an amount equal to the amount of Outstanding Term Bonds of such Series of the Bonds to be redeemed) which, to the extent practicable, results in approximately equal Annual Debt Service on the Outstanding Bonds of such Series of the Bonds following such redemption. The Agency is required to deposit with the Trustee money sufficient to redeem any Outstanding Bonds called for redemption not later than (5) days prior to the redemption date of the Bonds to be redeemed.

In lieu of redemption of any Term Bonds, amounts on deposit in the Sinking Fund Account allocable to such Term Bond will be used and withdrawn by the Trustee at any time, upon receipt of a Written Request of the Agency, for the purchase of such Term Bonds at public or private sale as and when at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Agency may, in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase

date; *provided*, that no Term Bonds will be purchased under this subsection with a settlement date following that day which is seventy-five (75) days prior to the redemption date of such Term Bonds. The principal amount of any Term Bonds so purchased by the Trustee in any twelve (12) month period ending on that date which is seventy-five (75) days prior to any Sinking Fund Account Payment Date in any Bond Year will be credited toward and will reduce the principal amount of the Term Bonds required to be redeemed on such sinking Account Payment Date in such Bond Year.

Notice of redemption of any Series 2006 Bonds or any portions thereof is required to be mailed by first class mail, postage prepaid, by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date of such Series 2006 Bonds (i) to the respective Owners of the Series 2006 Bonds designated for redemption at their addresses appearing on the bond registration books kept by the Trustee, (ii) to the Information Services (iii) to the Securities Depositories and (iv) to the Bond Insurer. Each notice of redemption is required to state the date of such notice, the Series 2006 Bonds to be redeemed, the date of issue of such Series 2006 Bonds, the redemption date, the redemption price, whether funds are then on deposit sufficient to pay the redemption price, the place of redemption (including the name and appropriate address), the CUSIP number (if any) of the maturity or maturities, and, if less than all Series 2006 Bonds of any such maturity are to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed and, in the case of Series 2006 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice is required to also state that on such redemption date there will become due and payable on each of such Series 2006 Bonds the redemption price thereof or of the specified portion of the principal amount thereof in the case of a Series 2006 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2006 Bonds be then surrendered at the Corporate Trust Office of the Trustee specified in the redemption notice as the place of redemption; *provided*, that failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice or the failure of any Owner to receive any redemption notice mailed to such Owner or any immaterial defect in the notice so mailed will not affect the sufficiency of the proceedings for the redemption of any Series 2006 Bonds. Notice of redemption conditioned on any specified event or events may be given at the direction of the Agency.

From and after the date fixed for redemption of any Series 2006 Bonds or any portions thereof, if notice of such redemption has been duly given and funds available for the payment of such redemption price of the Series 2006 Bonds or such portions thereof so called for redemption has been duly provided, no additional interest will accrue on such Series 2006 Bonds or such portions thereof from and after the redemption date specified in such notice.

DEBT SERVICE SCHEDULE

The following table presents the annual debt service on the Series 2006 Bonds.

Bond Year Ending September 1	Principal	Interest	Total
2007	-	\$2,617,117.76	\$2,617,117.76
2008	\$ 1,670,000	3,019,751.26	4,689,751.26
2009	1,735,000	2,952,951.26	4,687,951.26
2010	1,805,000	2,883,551.26	4,688,551.26
2011	1,880,000	2,815,863.76	4,695,863.76
2012	1,955,000	2,735,963.76	4,690,963.76
2013	2,040,000	2,667,538.76	4,707,538.76
2014	2,135,000	2,565,538.76	4,700,538.76
2015	2,235,000	2,469,463.76	4,704,463.76
2016	2,335,000	2,368,888.76	4,703,888.76
2017	2,430,000	2,275,488.76	4,705,488.76
2018	2,545,000	2,172,213.76	4,717,213.76
2019	2,665,000	2,044,963.76	4,709,963.76
2020	2,775,000	1,938,363.76	4,713,363.76
2021	2,905,000	1,823,895.00	4,728,895.00
2022	3,050,000	1,678,645.00	4,728,645.00
2023	3,195,000	1,526,145.00	4,721,145.00
2024	3,335,000	1,390,357.50	4,725,357.50
2025	3,480,000	1,246,952.50	4,726,952.50
2026	3,650,000	1,097,312.50	4,747,312.50
2027	3,825,000	914,812.50	4,739,812.50
2028	3,995,000	747,468.76	4,742,468.76
2029	4,175,000	572,687.50	4,747,687.50
2030	4,360,000	390,031.26	4,750,031.26
2031	4,555,000	199,281.26	4,754,281.26
Totals	\$68,730,000	\$47,115,247.92	\$115,845,247.92

SECURITY FOR THE SERIES 2006 BONDS

Pledge of Net Revenues and Flow of Funds under Indenture

The Bonds (i.e., the Series 2006 Bonds and any additional Bonds issued pursuant to the Indenture) are special obligations of the Agency secured by a pledge of Net Revenues. Under the Indenture, the Agency pledges all Net Revenues and all amounts on deposit in the Revenue Fund and in the funds or accounts so specified in the Indenture (except the Rebate Fund) to the punctual payment of the interest on, principal of and redemption premiums, if any, on the Bonds and any Parity Debt, and the Net Revenues and such other money is not permitted to be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions hereof permitting the application thereof for the purposes and on the conditions and terms set forth in the Indenture. The Indenture provides that this pledge, together with the pledge created by all

other Parity Debt, will constitute a first and exclusive lien on the Net Revenues and, subject to application of amounts on deposit therein as permitted in the Indenture, the Revenue Fund and other funds and accounts created under the Indenture for the payment of the Bonds and all other Parity Debt in accordance with the terms of the Indenture.

The Series 2006 Bonds are the first bonds or debt issued by the Agency.

The Series 2006 Bonds are special obligations of the Agency and are payable, as to interest thereon and principal thereof and redemption premiums, if any, thereon, exclusively from the Net Revenues and such other funds as provided under the Indenture, and the Agency is not obligated to pay the Series 2006 Bonds except from the Net Revenues and such other funds. The obligation of the Agency to pay interest on, principal of and redemption premiums, if any, on the Series 2006 Bonds and the Participating Members to pay the Payments does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The Agency has no taxing power.

In order to carry out and effectuate the pledge and lien of Net Revenues to the payment of the Bonds contained in the Indenture, the Agency agrees and covenants that all Revenues will be received by the Agency in trust and will be deposited when and as received in a special fund designated as the "Revenue Fund", which fund is established and which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Bonds remain Outstanding. To the extent the Agency has an existing fund or funds which satisfies the foregoing requirements, then such fund or funds will be deemed to be the "Revenue Fund" and the Agency is not required to create a new fund or change its accounting practices. The Agency may maintain separate accounts within the Revenue Fund.

The Agency will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all funds in the Revenue Fund are required to be applied, used and withdrawn only for the purposes authorized in the Indenture and in the order of priority provided below. The Agency is required to transfer amounts to the Trustee for payment of interest on and principal of the Bonds and any Parity Debt pursuant to the paragraphs below at least three (3) Business Days prior to the Interest Payment Dates and Principal Payment Dates. If insufficient funds are available to satisfy the requirements of one or more of the paragraphs below, the funds are required to be allocated pro rata in proportion to the amount due with respect to the paragraph relating to the highest priority for which funds are available. Payments due with respect to Parity Obligations may be made to the parties provided in such Parity Obligation instead of the Trustee. Any moneys in the Revenue Fund in excess of the amount necessary to satisfy the requirements of the paragraphs below may be used by the Agency for any lawful purpose.

Interest Account. The Agency is required to transfer to the Trustee for deposit in the Interest Account before each Interest Payment Date (and on such other dates as provided in a Supplemental Indenture), an amount of money from the Revenue Fund which is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds and Parity

Obligations (subject to the terms of such Parity Obligations providing for such payments to be made to other parties) on such Interest Payment Date. All money in the Interest Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Outstanding Bonds and Parity Obligations (including accrued interest on any Bonds and Parity Obligations (or portions thereof) purchased or redeemed prior to maturity); provided that any earnings on deposit in the Interest Account after payment of interest on Bonds and Parity Obligations on an Interest Payment Date shall remain in the Interest Account for application on the next Interest Payment Date or be transferred as directed by the Agency in a Written Request of the Agency.

Principal Account. The Agency is required to transfer to the Trustee for deposit in the Principal Account before each Principal Payment Date (and on such other dates as provided in a Supplemental Indenture) an amount of money from the Revenue Fund which, together with any money contained in the Principal Account, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and Parity Obligations (subject to the terms of such Parity Obligations) on such Principal Payment Date. All money in the Principal Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and Parity Obligations as they become due and payable; provided that any earnings on deposit in the Principal Account after payment of principal of the Bonds on a Principal Payment Date shall remain in the Principal Account for application on the next Principal Payment Date or be transferred as directed by the Agency in a Written Request of the Agency. Within the Principal Account is the Sinking Fund Account. The Trustee will deposit in the Sinking Fund Account before each Principal Payment Date (and on such other dates as provided in a Supplemental Indenture), an amount of money from the Revenue Fund equal to the Sinking Fund Account Installments payable on such Sinking Fund Account Payment Date. All money in the Sinking Fund Account is required to be used by the Trustee to redeem or purchase the Term Bonds in accordance with the Indenture.

Reserve Fund. The Reserve Fund is held in trust by the Trustee for the benefit of Bondholders. All amounts in the Reserve Fund are required to be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account, or (together with any other funds available) for the payment or redemption of all Outstanding Bonds. As provided in a Supplemental Indenture, the Reserve Fund may contain segregated accounts established for the benefit of one or more Series of the Bonds or Parity Obligations.

On or before the first Business Day of each month, the Agency is required to, from the remaining moneys in the Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit in the Reserve Fund and to the applicable trustee for such other reserve accounts, if any, as may have been established in connection with Parity Obligations that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement and otherwise replenish the Reserve Fund for any withdrawals (including draws upon the Reserve Policy or any credit facility) to pay the interest or principal due under the Indenture and necessary to restore such other reserve accounts to an amount equal to the amount required to be maintained therein; provided that payments to restore the Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the

Reserve Fund to the Reserve Fund Requirement as of the date of the withdrawal. To the extent that draws on the Reserve Fund are from a credit facility as permitted under the definition of Reserve Fund Requirement in the Indenture, transfers to restore the Reserve Fund will be made to reimburse the provider of such credit facility as provided in a Supplemental Indenture.

Earnings on amounts in the Reserve Fund in excess of the Reserve Fund Requirement will be transferred to the Interest Account semi-annually each year or be transferred as directed by the Agency in a Written Request of the Agency.

Reserve Fund

The Indenture provides for the establishment of a Reserve Fund in an amount equal to the Reserve Fund Requirement. The Indenture defines the term "Reserve Fund Requirement" to mean the aggregate amount, as calculated from time to time with respect to each Series of the Bonds, equal to the least of (i) maximum annual debt service on the Series of the Bonds (based on a year ending September 1), (ii) 125% of average annual debt service on the Series of the Bonds (based on a year ending September 1) or (iii) 10% of the original principal amount of the Bonds; provided, that if the Agency utilizes a common Reserve Fund for two or more Series of the Bonds hereunder, then the Agency at its option may substitute for clause (i) above the amount necessary to be added to such common Reserve Fund to equal the maximum annual aggregate debt service for such Series of the Bonds; provided further that notwithstanding any provision hereof to the contrary, with the prior written consent of the Bond Insurer, all or any portion of the Reserve Fund Requirement may (following written notification to the rating agencies then rating the Bonds) be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in such Reserve Fund, provide an aggregate amount equal to the Reserve Fund Requirement, so long as (i) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated in one of the two highest rating categories (at all times) by Moody's and by S&P, (ii) in the case of a substitution of cash for a credit facility, the Trustee has received an opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that such substitution is authorized or permitted under this Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, (iii) if such credit facility is not an irrevocable surety bond in the highest rating category of both Moody's and S&P, the Trustee has received written confirmation from the rating agencies then rating the Bonds that such substitution will not cause a lowering or withdrawal of any ratings on the Bonds, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation; and provided further, that in the event that any previously funded cash portion of the Reserve Fund Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money then in such Reserve Fund equal to the portion of the Reserve Fund Requirement then being satisfied by such credit facility shall (upon receipt of a Written Request of the Agency) be withdrawn by the Trustee from the Reserve Fund and transferred to the Agency. The initial Reserve Requirement is \$4,754,281 and will be satisfied with a deposit from the proceeds of the Series 2006 Bonds. See "Pledge of Net Revenues and Flow of Funds under Indenture" above.

Rate Covenant and Covenant to Enforce Payment Agreement

Rate Covenant. Under the Indenture, the Agency agrees that it will, pursuant to the JPA Agreement and the Payment Agreement, to the maximum extent permitted by law, collect amounts from the Participating Members and manage the operation of the System for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 125% of the Annual Debt Service in such Fiscal Year; *provided*, an adjustment will be made to the amount of Net Revenues as provided under the Indenture provisions relating to the Rate Stabilization Fund. This covenant is referred to as the "Rate Covenant."

In addition to the foregoing requirements, the Agency agrees under the Indenture that it will, pursuant to the JPA Agreement and the Payment Agreement, to the maximum extent permitted by law, collect amounts from the Participating Members and manage the operation of the System for each Fiscal Year so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The interest on and principal and Sinking Fund Account Installments of the Bonds and the payments for the other Parity Debt and the Repayment Obligations and the payment of the Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the Indenture and of any Supplemental Indenture, including restoration of the Reserve Fund to an amount equal to the Reserve Fund Requirement and restoring any reserve accounts for Parity Obligations.
- (iv) All payments to meet any other obligations of the Agency which are charges, liens or encumbrances upon, or payable from, the Net Revenues.

Covenant to Enforce Payment Agreement. Under the Indenture, the Agency agrees to enforce all material provisions of the JPA Agreement and the Payment Agreement and any other contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for payments or services to be rendered to the Agency. Further, the Agency agrees to comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Wastewater Treatment System, to the extent that the Agency is a party thereto. The Agency assigns to the Trustee the right to collect payments and enforce the Payment Agreement to the extent necessary to ensure payment of the Bonds.

The Agency agrees that it will not enter into any amendment to the JPA Agreement or the Payment Agreement that materially adversely affects the security for the Bonds unless such amendment is consented to in writing by the Bond Insurer. The JPA Agreement and the Payment Agreement may be amended in connection with the merger of one or more Members with each other or with the Agency with the written consent of the Bond Insurer.

The Payment Agreement

The Agency has entered into the Payment Agreement for Treatment Service, dated as of October 1, 2006 (the "Payment Agreement"), with each of its Members. Under the Payment Agreement, each Participating Member agrees to pay its Payments (i.e., debt service on the Series 2006 Bonds, plus amounts required to satisfy the Rate Covenant and any other covenants under the Indenture) to the Agency when due. Each Participating Member agrees that the obligation to pay its Payments shall constitute an unconditional obligation of such Participating Member payable from and secured by the System Revenues of such Participating Member.

The Payments under the Payment Agreement are due for the Participating Members on August 1 and February 1 of each Fiscal Year.

On or before June 1 of each year, the Agency will calculate, based on estimated Dwelling Units as provided in the JPA Agreement, the Payments due from each Participating Member for the next Fiscal Year. The total amount of such Payments due from the Participating Members in each Fiscal Year will be equal to the debt service due on the Bonds plus amounts required to satisfy the Rate Covenant and any other covenants under the Indenture.

Under the Payment Agreement, the Agency and the Participating Members agree that the Payments for Treatment Service shall be considered and treated as an operating expense of each Participating Member. The Payment Agreement provides that in the event that the Payments are not permitted to be treated as an operating expense of a Participating Member, the Payments will be treated as a parity obligation of such Participating Member payable from and secured by System Net Revenues (i.e., wastewater revenues less operation and maintenance costs) of such Participating Member on parity with any other wastewater debt obligations of such Participating Member.

Under the Payment Agreement, each Participating Member agrees, to the maximum extent permitted by law, to set wastewater service rates and charges at levels so as to provide sufficient revenues to fund the Payments, other amounts payable to CMSA under the JPA Agreement for treatment capacity and other purposes and all other funding needs of its wastewater system.

Rate Stabilization Fund

Under the Indenture, there is established a special fund known as the "Rate Stabilization Fund" which is held by the Agency. The Agency may, during or within 365 days after a Fiscal Year, deposit surplus Net Revenues transferred from the Revenue Fund attributable to such Fiscal Year (on the basis of Generally Accepted Accounting Principles) into the Rate Stabilization Fund. The Agency may at any time withdraw moneys from the Rate Stabilization Fund and deposit such amounts into the Revenue Fund. Net Revenues deposited into the Rate Stabilization Fund will not be taken into account as Net Revenues for purposes of the calculations related to the rate covenants and additional debt tests under the Indenture in the Fiscal Year to which such revenues are attributable, and amounts withdrawn from the Rate Stabilization Fund and deposited into the Revenue Fund, during or within 365 days after a Fiscal Year, may be taken into account as Revenues for purposes of such calculations in such Fiscal

Year; provided that, for purposes of the calculation required with respect to the additional debt test, the amount of Net Revenues before any credits for withdrawals from the Rate Stabilization Fund may not be less than 100% of Maximum Annual Debt Service for outstanding Parity Debt and the proposed additional Parity Debt.

Covenants Regarding Additional Obligations

Under the Indenture, the Agency agrees that it will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Revenues except as provided in the Indenture and will not issue any obligations secured by Net Revenues senior to the Parity Debt (i.e., Bonds and any Parity Obligations); *provided*, that the Agency may at any time issue any Subordinate Obligations.

The Agency may at any time enter into or issue any Parity Debt if the following conditions are satisfied:

(1) The Agency is in compliance with all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by it, and a Certificate of the Agency to that effect has been filed with the Trustee (with the consent of the Bond Insurer this condition will not apply where the purpose of the proposed Parity Debt is to cure such non-compliance).

(2) The Parity Debt has been duly authorized pursuant to the Law and all applicable laws, and a reserve account held by an independent trustee is required to be established in an amount equal to the Reserve Fund Requirement; provided further that, if such Parity Debt is a loan from a governmental agency, then a reserve account will be established in the amount required by such governmental agency and provided further, the Bond Insurer may waive the requirements in this paragraph (2) relating to funding the Reserve Fund or other reserve account if the Parity Debt proposed to be issued is irrevocably guaranteed by a credit provider in at least the second highest rating category of Moody's or S&P. With respect to a Series of Bonds, the funding of the Reserve Fund in an amount equal to the Reserve Fund Requirement will satisfy the requirements of this paragraph.

(3) The Agency certifies in a Certificate of the Agency delivered to the Trustee that the governing boards of the Participating Members have approved a resolution or agreement which provides that the Participating Members will pay to the Agency sufficient amounts to produce in each fiscal year net revenues equal to at least 125% of the Annual Debt Service as calculated after the execution of such Parity Debt; provided, that in the event that all or a portion of such Parity Debt is to be issued for the purpose of refunding and retiring any Parity Debt then outstanding, interest and principal payments on the Parity Debt to be so refunded and retired from the proceeds of such Parity Debt being issued will be excluded from the foregoing computation of Maximum Annual Debt Service; provided further, that the Agency may at any time issue a Parity Debt without compliance with the foregoing conditions if the Annual Debt Service for each Fiscal Year during which such Parity Debt is outstanding will not be increased by reason of the issuance of such Parity Debt; and provided further, an adjustment will be made in the amount of Net Revenues as provided under the Indenture provisions relating to the Rate Stabilization Fund.

The Indenture does not limit the issuance of any Subordinate Obligations.

BOND INSURANCE

The information relating to the Bond Insurer contained below and in Appendix G have been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Bond Insurer's policy (the "Policy"). No representation is made herein by the Agency as to the accuracy or the adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Bond Insurer set forth under the heading "BOND INSURANCE".

The Policy

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Agency to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2006 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Bond Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2006 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal or interest on the Series 2006 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2006 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Trustee or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such

nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Series 2006 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2006 Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the Series 2006 Bonds in any legal proceeding related to payment of insured amounts on the Series 2006 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Bond Insurer

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at the address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendation to buy, sell or hold the Series 2006 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2006 Bonds. MBIA does not guaranty the market price of the Series 2006 Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of \$11.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's website at <http://www.mbia.com> and at not cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2006 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ending March 31, 2006 and June 30, 2006 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C. (iii) over the Internet at the Company's website at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

THE AGENCY AND THE WASTEWATER TREATMENT SYSTEM

General

The Central Marin Sanitation Agency (the "Agency"), located in Marin County, California is a joint powers agency or "JPA" formed in 1979 by its member agencies which are special districts and municipalities in the San Rafael and Ross Valley areas of central Marin County. The Agency was formed for the purpose of constructing and operating a wastewater treatment plant located in San Rafael, California.

In the 1970's, central Marin County had four small wastewater treatment plants that were unable to meet the requirements of the 1972 Clean Water Act. As a result, the four wastewater agencies in the area, San Rafael Sanitation District, Sanitary District No. 1 of Marin County, Sanitary District No. 2 of Marin County and the City of Larkspur (collectively, the "Members") joined together in 1979 to form the Central Marin Sanitation Agency as a joint powers agency, to construct a wastewater treatment plant and make improvements to their collection system force mains and pump stations.

The Agency's wastewater treatment plant (the "Treatment Plant") was completed and began operating in January of 1985 at a cost of approximately \$84 million. The Agency treats and disposes of the wastewater collected from its member agencies, which is transported via remote pump stations. The Plant's primary and disinfection treatment systems can treat 90 mgd. Hydraulically, the Plant is limited by the tide elevation in the San Francisco Bay. At low tide 140 mgd can be discharged while at high tide less than 95 mgd can move through the plant.

The Agency serves 55,292 equivalent dwelling units (EDUs) (representing an average of 2.3 people per EDU for residential units) with an estimated population of approximately 102,000 in the combined service areas of the Participating Members. The Agency encompasses approximately 42 square miles and for fiscal year 2005-06 the real property in the Agency service area had an assessed valuation of \$16,816,998,140. See Appendix A - "Information on the Participating Members and Information about the CMSA Service Area" attached hereto.

From time to time, the Agency and its Members have discussed a consolidation amongst one or more Members and the Agency. While no such plans currently exist, it is possible that such a consolidation could occur in the future. Under the Indenture, such a consolidation would require the consent of the Bond Insurer. See Appendix C attached hereto.

Governance and Management

The Agency's Joint Powers Agreement dated October 15, 1979 (the "JPA Agreement") is the contract among the Members that describes what work the Agency will do, that is, construct, operate, and maintain regional wastewater treatment facilities, how each of the Members will be represented on the Agency's Board of Commissioners, cost-sharing (based on flows and sewage strength or equivalent dwelling units), and funding arrangements. The JPA stipulates that the Agency formation is based on the Sanitary District Act of 1923 and that meetings of the Agency's Board of Commissioners comply with the Ralph M. Brown Act.

The Agency is governed by a Board of Commissioners consisting of six Board members representing each of the Members as described in the JPA Agreement. San Rafael Sanitation District and Sanitary District No. 1 each have two members on the Board, and the City of Larkspur and Sanitary District No. 2 each have one member. The six-member Board sets policy for the Agency. The Board appoints the General Manager who serves at the pleasure of the Board. The General Manager is the chief administrative officer responsible for the Agency's day-to-day operations and long-term planning in accordance with the Board's policies and approved budget. All six of the Board members are appointed by their respective governing boards or, in the case of Larkspur, the city council.

**CENTRAL MARIN SANITATION AGENCY
BOARD OF COMMISSIONERS**

Name	Position	District	Expiration of Term
Bob Sinnott	Chair	City of Larkspur	No expiration
Albert Boro	Vice-Chair	San Rafael Sanitation District	November 2007
John Dupar	Secretary	Sanitary District No. 2	November 2009
Patrick Guasco	Commissioner	Sanitary District No. 1	July 2010
Paul Cohen	Commissioner	San Rafael Sanitation District	November 2007
Sue Brown	Commissioner	Sanitary District No. 1	July 2008
Patty Burke	Alternate	Sanitary District No. 1	July 2010
Vic Canby	Alternate	Sanitary District No. 1	July 2008
Marcia Johnson	Alternate	Sanitary District No. 1	July 2010
Cyr Miller	Alternate	San Rafael Sanitation District	No expiration
Kathy Hartzell	Alternate	City of Larkspur	November 2007
Jin Yang	Alternate	Sanitary District No. 2	November 2007

The General Manager of the Agency is Jason Dow. Mr. Dow has been with the Agency for 13 years and has 5 years of experience in public utility administration and management. Prior to becoming the General Manager, Mr. Dow served as an Engineer for the Agency. As an engineer, Mr. Dow designed facility improvements, managed construction projects, and administered contracts. Mr. Dow holds a Bachelor's Degree in Civil Engineering and a Master's in Environmental Engineering, and is a registered civil engineer in California. He is member of the California Association of Sanitation Agencies (CASA), for which he serves as Chair of the Manager's Committee, and is a member of the Water Environment Federation (WEF) and California Water Environment Association (CWEA).

Financial management of the Agency is managed by Fred Weiner, the Agency's Business Services Manager/Treasurer. Within the past year, Mr. Weiner joined the Agency after 28 years of experience in public financial management. He recently worked for the City and County of San Francisco for 20 years where he served as Financial and Administrative Manager for several departments and as a department head. He also worked as a public management and financial consultant. He has over 15 years experience in managing and coordinating multi-million dollar long-term debt financing and infrastructure development programs, including revenue bond programs for wastewater improvement projects, telecommunications projects, and equipment lease financing, certificate of participation programs for office building acquisition and improvement, and general obligation bond programs for public works, facilities, and buildings. He has a Bachelor's Degree in Economics and a Master's Degree in Policy Analysis. He is a member of the Government Finance Officers Association and California Society of Municipal Finance Officers.

The Agency's Operations and Maintenance Departments are managed by Nathan Brennan, Treatment Plant Manager. Mr. Brennan has been with the agency for two years and has 34 years of experience in operations and maintenance. Much of Mr. Brennan's experience was with City and County of San Francisco's Clean Water Program, where he served as Operations Coordinator for the construction and start-up of the Oceanside Wastewater Treatment Plant

project. Preceding this assignment, Mr. Brennan managed the Maintenance Division with 150 employees maintaining all the division's plants and pump stations. Before coming to CMSA, he was Operations Manager for the combined San Francisco wastewater system with an average dry weather flow of 85 MGD and wet weather flows up to 575 MGD. Mr. Brennan has a Bachelor's Degree in Mechanical Engineering and holds a California SWRCB Grade 5 Wastewater Treatment Plant Operations certificate. He is a member of WEF and CWEA, He also participates as public member of the Navy's Restoration Advisory Board for Treasure Island and San Francisco's Citizens Advisory Board for the Treasure Island Development Authority.

The Environmental Services Manager of the Agency is Robert Cole. Mr. Cole has been with the Agency for 9 years, and has been managing environmental laboratories, pollution prevention, and pretreatment programs for over 10 years. Prior to becoming the Environmental Services Manager, Mr. Cole served as the Agency's Laboratory Director, Industrial Waste Inspector, and Laboratory Analyst. Mr. Cole has CWEA Certifications in Laboratory Analysis (Grade IV), Environmental Compliance Inspector (Grade IV), and Biosolids Management and Land Application Certification. He is Past President of the CWEA Redwood Empire Section. He currently serves as Vice Chairperson of the Bay Area Clean Water Agencies (BACWA) Permit Committee and is active in the BACWA Laboratory and Collections Committees. Mr. Cole has a Bachelor's Degree in Biology with a Concentration in Chemistry.

The Agency's Senior Engineer is Ken Katen. Mr. Katen has been with the Agency since October 2004. Before coming to the Agency, he worked as an Engineer for the California Regional Water Boards for 12 years and for Fresno Irrigation District for 2 1/2 years. He designed and reviewed designs for water conveyance and treatment facilities, planned and supervised pipeline construction projects, reviewed and written NPDES permits, and wrote Total Maximum Daily Load (TMDL) plans. He has a Bachelor's Degree in Agricultural Engineering and has been a California-registered Civil Engineer since 1994. He has taught courses in water supply and wastewater treatment and is a member of the American Society of Civil Engineers (ASCE), CWEA, and WEF.

Agency staff consists of licensed wastewater operators, maintenance specialists, laboratory technicians, and engineers whose mission is to safeguard the public health of Marin County residents and protect the environment.

Wastewater Treatment System

The Agency's Wastewater Treatment System is comprised of wastewater treatment and disposal facilities that serve the Participating Members (*i.e.*, all Members except the City of Larkspur which transferred its wastewater system to Sanitary District No. 1) and their service areas. The Agency's facilities consist principally of primary treatment followed in series by two biological treatment units, namely biofilters and conventional activated sludge, and then disinfection and dechlorination system. The effluent is discharged through a 7 foot diameter, 2 mile long marine outfall pipeline. The term "biological treatment" is applied because the process relies on large-scale cultivated bacteria to treat wastewater.

The Agency treats on average about 11 million gallons of wastewater per day. Flows are approximately 8 million gallons per day in dry weather. Rain-induced flows can range over 115 million gallons per day

The Bonds are financing wet weather treatment capacity and other facility and equipment improvements to the Agency's Treatment Plant. See "THE PROJECT" herein.

The Agency's Purpose, Vision and Mission Statements are as follows:

The Purpose of Central Marin Sanitation Agency. Central Marin Sanitation Agency was formed for the purpose of planning, administering, and coordinating wastewater treatment and disposal services throughout the Central Marin County area, to protect the public health and the environment.

The Vision of Central Marin Sanitation Agency. Central Marin Sanitation Agency will be a recognized regional leader through its application of appropriate technologies and its commitment to operate its wastewater treatment plant in a sustainable and environmentally sensitive manner.

The Mission of Central Marin Sanitation Agency. Central Marin Sanitation Agency will achieve its purpose and vision by:

- Operating and maintaining the wastewater treatment plant and related facilities in a safe, environmentally sound, efficient, and effective manner
- Maintaining a diverse work place that fosters professional growth and job satisfaction
- Protecting its assets and investments through sound financial policies and practices
- Improving service through long-range planning and wise use of technology
- Leading the discussion and development of strategies for addressing regional wastewater issues to the benefit of all customers

Collection System. Wastewater collected throughout the Agency's service area is conveyed through a series of pipes until reaching the plant headworks. The wastewater either flows through the pipelines by gravity or it is pumped. The member agencies have a combined total of 79 pump stations, of which 18 pump directly to CMSA through forcemains over 33 pump stations that transport wastewater directly to CMSA. Corte Madera has a total of 19 stations. San Rafael Sanitation District has 32. Sanitary District No. 1 (SD1) has a total of 20 pump stations.

Headworks. The raw wastewater (influent) flows through bar screens where material such as wood, rags and other large objects are removed. Flow is then routed to aerated grit chambers where the velocity of the flow decreases and the wastewater is aerated. This causes materials such as dirt, sand, coffee grounds, egg shells and other granular materials to settle to

the bottom of the tanks. The material is removed via pumps and transported to a grit processing facility where it is dewatered, stored in hoppers and eventually hauled to a sanitary landfill for disposal. The wastewater continues on to primary clarification.

Primary Clarifiers. After leaving the headworks the flow of wastewater slows as it moves through one of five primary clarifiers. The longer detention times allows floatables, such as grease, to rise to the surface, while heavier material settles to the bottom of the clarifiers. Ferric chloride is added during high storm flows to facilitate coagulation and settling of the dissolved organic matter. The settled solids and grease are removed from the clarifier and pumped to one of two digesters for treatment, while the primary effluent (partially treated sewage) enters the first stage of biological treatment.

Biotowers. The two biotowers are the first stage of the dual biological treatment process. During this stage, effluent from the primary clarifiers is pumped at a high rate to the top of tall biological towers where it trickles down through a fixed filter media. The media has a layer of biological growth that consumes the dissolved material (organic material) in the wastewater. After treatment in the biotowers, the wastewater continues on to aeration.

Aeration. The activated sludge process is the second stage of biological treatment. Tiny air bubbles released from the bottom of the tank provide air for microorganisms (called activated sludge) which consume the remainder of the non-settleable organic matter. The organisms form a floc which enables the activated sludge to settle out in the next stage called secondary clarification.

Secondary Clarifiers. The wastewater slows as it enters up to four secondary clarifiers where the microorganisms settle to the bottom of the tanks. The settled microorganisms are removed from the tank via pumps and are either recycled back to the aeration tanks or sent to the digesters as waste. The wastewater, now called secondary effluent, is routed to a single channel and flows to the chlorine contact tanks.

Chlorination. The secondary effluent is dosed with a computer controlled application of sodium hypochlorite (bleach) to kill any pathogens prior to discharge to the receiving waters. The chlorinated effluent moves through the contact tanks en route to the outfall. To complete the treatment process, sodium bisulfite is added to neutralize any residual chlorine.

Digesters/Biosolids. The sludge and floatable material removed in the primary and secondary clarifiers are pumped to one of two anaerobic digesters. The digesters are heated to 99 degrees Fahrenheit to facilitate stabilization of the organic material by anaerobic bacteria that live in the absence of oxygen. The digestion process stabilizes and reduces the volume of sludge, which in turn is dewatered by high speed centrifuges. The dewatered sludge, called biosolids, has a solids concentration of 25% and is either hauled to a landfill for use as cover material or land applied to non-edible crops.

Cogeneration. The wastewater treatment plant has two anaerobic digesters that produce methane gas during treatment of the solids removed from the wastewater. Methane is used as a fuel in a cogeneration system that produces electricity and utilizes waste heat. The system is comprised of an internal combustion engine coupled to an electrical generator, heat exchangers

to capture the engine's waste heat for plant operational needs, and computer based controls to monitor and regulate the operation of the system. Enough methane gas is produced to operate the engine for up to 12 hours per day. Natural gas is used as a fuel for the remaining hours. A small amount of electricity is purchased to supplement the engine's power output to meet the facilities fluctuating demand.

Discharge. Some of the treated wastewater is recycled and used for wash down, and irrigation at the plant site. The remaining effluent is carried through an 84 inch pipeline more than a mile out into San Francisco Bay where it is discharged through 176 diffusers located 40 feet below the Bay surface.

CMSA Process Control System. The operation of equipment and the treatment processes are monitored by sensors and other instruments that provide operating information to a process control system (PCS). The PCS system links both the plant and the remote pump stations allowing staff to automatically control some in-plant operations and monitor performance system wide to ensure compliance with State wastewater discharge limits.

Monitoring Laboratory. The Agency's laboratory staff analyzes samples of the influent wastewater, various treatment processes, treated effluent, and biosolids. The analyses results are used for either:

- To satisfy the regulatory testing and reporting requirements of the San Francisco Regional Water Board (SFRWB) as outlined in our NPDES permit, and meet other regulatory requirements.
- To provide the daily performance information on the different treatment processes and how well they are functioning in order to provide quality effluent.

The Agency sends a monthly report to the SFRWB and to the EPA summarizing the laboratory testing. The report details the testing results and any results that exceeds the Agency's discharge limits. If these limits are exceeded, the Agency must pay fines and develop a plan and schedule how it will meet the required limits. The Agency also sends an annual report summarizing the data for the entire year.

Seismic. The current wastewater plant was constructed under the original Uniform Building Code required and in effect at the time of its design. The new facilities as part of the Project will exceed the 2004 Uniform Building Code requirements by 10% based on a site specific seismic analysis.

Other CMSA Functions

Septic Tank, Portable Toilet, and Grease Trap wastes. Septic tank, portable toilet, and grease trap wastes from certain parts of Marin County may be discharged at the Agency. The Agency policies for acceptance of these wastes are specified in a letter that can be downloaded from its website. Agency staff carefully monitors compliance with its acceptance policies to assure that industrial and/or hazardous wastes are not discharged.

Contaminated Groundwater. The Agency accepts discharge of contaminated groundwater, provided that it is generated in the Agency's service area and it meets discharge limits. A permit is required for discharge, and a permit application may be downloaded from the Agency's website. The discharge limits are specified in the permit application. The Agency service area is Fairfax, Ross, San Anselmo, Greenbrae, Kentfield, Larkspur, Corte Madera, and areas of San Rafael south of the Santa Venetia ridge (Terra Linda and Civic Center are not in the Agency's service area).

Storm Water. Under an agreement with the City of San Rafael, Agency staff may issue City citations for violation of the City's Stormwater Ordinance. The agreement specifies that CMSA responsibility/authority is limited to those facilities that the Agency is regulating with sanitary wastewater permits. In order to further protect the Bay and to comply with an NPDES "General Permit" issued by the RWB, the Agency has a Storm Water Pollution Prevention Plan (SWPPP) for its treatment plant. The SWPPP and its associated Monitoring Plan specify how staff will prevent storm water pollution from their everyday activities, how to respond to spills and other unusual events, and periodic in-house inspections to verify compliance with the SWPPP.

Service Area and Customers

The Agency provides wastewater treatment and disposal services to 55,292 EDUs with an estimated population of 102,000 persons through its Participating Members' combined sewer connections. The Agency's service area through its Participating Members covers approximately 42 square miles in Marin County. See "Member Agencies" below. See "Wastewater Treatment Charges" below for a table showing historical information on number of equivalent dwelling units served by the Agency. Also see Appendix A for demographic information on the Agency's service area.

Member Agencies

The Agency's Members are the San Rafael Sanitation District, Sanitary District No. 1 of Marin County, Sanitary District No. 2 of Marin County and the City of Larkspur. The Agency provides wastewater treatment and disposal service to the Participating Members, consisting of three of the Members: San Rafael Sanitation District, Sanitary District No. 1 of Marin County and Sanitary District No. 2 of Marin County. The Participating Members have agreed to pay the debt service on the Series 2006 Bonds. Certain information describing each Participating Member is provided below. More detailed information on the Participating Members is provided in Appendix A attached hereto.

San Rafael Sanitation District. San Rafael Sanitation District ("SRSD") manages wastewater collection and pumping (to the CMSA treatment facility) for most of the City of San Rafael and some minor unincorporated areas of Marin County (the Las Gallinas/Santa Venetia area sewage flows are treated by a separate district, the Las Gallinas Valley Sanitation District).

The service area of SRSD covers an area of approximately 11 square miles, has an estimated population of 37,000 and for fiscal year 2005-06 has an assessed valuation of \$5,890,541,865.

SRSD has a three-member Board consisting of the Mayor of San Rafael, a City Council representative, and a County Supervisor, with a City Council member serving as an alternate. Traditionally the Mayor and Council member on the SRSD Board have been the Agency's Board members. The alternate SRSD Board member is the alternate Agency Board member.

San Rafael Sanitation District has 32 wastewater pump stations. SRSD is responsible for pump station and collection system maintenance for its service area.

Sanitary District No. 1. Sanitary District No. 1 of Marin County ("Sanitary District No. 1" or "SD1" or "Ross Valley Sanitary District") is a special enterprise district serving Larkspur, Ross Valley, and San Quentin. SD1 (aka Ross Valley Sanitary District) directly manages wastewater collection from the City of Larkspur, Kentfield, Ross, San Anselmo, Fairfax, San Quentin Prison, and other Ross Valley unincorporated areas of Marin County. SD1 operates and maintains the collections system for the City of Larkspur proper under an annexation agreement dating to 1993.

The service area of SD1 covers an area of approximately 26.75 square miles, has an estimated population of 50,000 and as for fiscal year 2005-06 has an assessed valuation of \$8,505,927,475.

SD1's own five-member governing Board is elected at large. Two SD1 Board members and three alternates are rotated onto the CMSA Board from the SD1 Board once per year. The Larkspur representative on the CMSA Board is appointed by the Larkspur City Council.

SD1 has a total of 20 pump stations, 6 being force main stations. Since 1981, SD1 has had a contract with the State of California for wastewater collection at San Quentin Prison.

Sanitary District No. 2. The Sanitary District No. 2 of Marin County ("Sanitary District No. 2" or "SD2") is generally concurrent with the boundaries of the Town of Corte Madera and serves portions of the Tiburon peninsula, portions of the Greenbrae boardwalk, portions of Larkspur, and portions of unincorporated areas of the County. The Agency Commissioner from SD2 is appointed by the District Board which is the Corte Madera Town Council.

The service area of SD2 covers an area of approximately 3.84 square miles, has an estimated population of 15,000 and for fiscal year 2005-06 has an assessed valuation of \$2,419,435,515.

Sanitary District No. 2 has 19 lift stations and 5 force main stations. By a contractual agreement, CMSA personnel provide for pump station maintenance within Sanitary District No. 2. Sanitary District No. 2 personnel provide all engineering, management and operational services to the wastewater collection system, exclusive of sewage collection pump station maintenance.

Wastewater Treatment Charges

The Agency has the right pursuant to its JPA Agreement with the Members to collect amounts from the Participating Members to operate the Wastewater Treatment System. These

amounts are established by its Board and are not subject to review or approval by any other agency.

The Agency Board sets a charge per EDU for each Participating Member and collects this charge quarterly. The Participating Members collect this charge from their customers as part of their wastewater service charges. The table shows a history of the Agency's chargers per EDU.

**Central Marin Sanitation Agency
Annual Charges per EDU**

<u>Fiscal Year (ending June 30)</u>	<u>Amount</u>	<u>Percent Change</u>
1998	\$100	
1999	100	0.0%
2000	100	0.0
2001	102	2.0
2002	104	2.0
2003	108	3.7
2004	112	3.7
2005	119	5.4
2006	129	8.4
2007	160 <u>169</u>	24.0 <u>31.0</u>

Source: Central Marin Sanitation Agency

The table below shows the number of equivalent dwelling units served by the Agency through the Agency's Participating Members area.

**Central Marin Sanitation Agency
Table of Member Agency EDUs**

<u>FY*</u>	<u>SRSD</u>	<u>SD #1</u>			<u>SD #2</u>	<u>Total</u>
		<u>SD #1</u>	<u>Larkspur</u>	<u>SQ</u>		
1986	17,089	17,913	2,774	3,569	4,757	46,102
1987	17,704	18,059	2,774	3,489	4,842	46,868
1988	18,040	18,447	2,773	3,489	5,267	48,016
1989	18,200	18,335	2,768	2,892	5,267	47,642
1990	19,140	18,947	2,974	3,630	5,304	49,995
1991	18,933	18,852	2,998	3,227	5,201	49,211
1992	18,437	19,620	3,042	3,785	5,709	50,593
1993	18,445	19,480	3,078	3,960	5,695	50,668
1994	18,362	18,958	3,015	4,148	5,358	49,841
1995	17,897	18,881	3,041	3,926	5,273	49,018
1996	18,201	18,892	3,081	4,371	5,290	49,835
1997	18,290	18,820	3,132	5,513	5,412	51,167
1998	18,431	18,827	3,042	5,800	5,454	51,554
1999	18,518	19,538	3,157	3,500	5,524	50,237
2000	18,663	19,424	3,157	4,143	5,524	50,911
2001	19,314	19,324	3,123	4,421	5,532	51,714
2002	19,531	19,524	3,123	4,422	5,665	52,265
2003	19,879	18,859	3,005	4,752	5,693	52,188
2004	19,515	19,022	3,116	4,609	5,883	52,145
2005	19,603	19,029	3,111	5,090	5,840	52,673
2006	19,382	18,842	3,085	7,883	6,100	55,292

* EDU figures are estimates as of the preceding April 1 used for Agency budget purposes.
Source: Central Marin Sanitation Agency.

The Agency also collects a regional capacity charge of \$4,282 for new residential connections to the wastewater systems of the Participating Members (this charge was raised from \$1,000 in September 2006). Capacity charges for new commercial connections are \$267.63 per fixture unit with a \$4,282 minimum charge. Capacity charges are collected by the Participating Members on behalf of the Agency. The Agency Board also approved an annual increase in capacity charges based on the Engineering News Record cost index.

Permits

The Agency operates its Wastewater Treatment System under two permits. The Agency's discharge quality to the San Francisco Bay is monitored and regulated by the San Francisco Regional Water Board pursuant to a National Pollutant Discharge Elimination System ("NPDES") permit issued by the SFRWB in October 2001 (Order No. 01-105). The Agency is also subject to the terms of a Permit to Operate issued by the Bay Area Air Quality Management

District ("BAAQMD") (Plant No. 653). The NPDES permit (CA0038628) expires on August 31, 2006 and is currently being evaluated and expected to be renewed by December 2006, while the BAAQMD Permit to Operate does not expire.

The Agency, in turn, regulates commercial, industrial, and institutional discharges to the sewage collection system.

Financial Information

The most recent audited financial statements of the Agency prepared by the Agency and audited by Vavrinek, Trine, Day & Co. LLP are included in Appendix B hereto (the "Financial Statements"). The Financial Statements should be read in their entirety.

Budget Process. Every year, the Agency begins the budget process by reviewing its financial requirements for salaries and benefits, materials and supplies, capital projects and contingency reserves. Service charges to the member agencies are established after funding is considered from all other alternative sources such as contract maintenance revenues and probable interest revenues, and in accordance with Agency policy. For each fiscal year the total required funding is divided among the three member agencies proportionate to the estimated EDUs. The Agency diligently pursues control of its service charges with its review of expenses, revenues, and reserves.

The Agency Board adopts an annual non-appropriated budget to serve as its approved financial plan. Provisions within the JPA Agreement give authority to the Board to set a charge per EDU and collect this charge from the Members as required to fund the Agency's operations and capital programs. The budget is used as a key control device (1) to ensure Board approval for amounts set for operations and capital projects, (2) to monitor expenses and project progress and (3) as compliance that approved spending levels have not been exceeded. All operating and capital activities of the Agency are included within the approved budget, including a 10-year capital project financial plan. The budget document also includes a five-year forecast of the Agency's financial resources.

For the fiscal years 2004-05, 2005-06 and 2006-07, \$6,277,719, \$6,780,746, and \$9,359,472 of the total required funding of \$8,442,419, \$8,032,733, and \$10,099,183 was divided among the three member agencies proportionate to their EDUs. The resultant annual service charges were \$119, \$129 and ~~\$160~~, 169, respectively per EDU. The Agency diligently pursues control of its service charges with its review of expenses, revenues, and reserves.

Historic Operating Results and Debt Service Coverage. The following table is a summary of consolidated operating results of the enterprise funds related to the Wastewater Treatment System for the fiscal years ending June 30, 2002 through 2006. The results of the years ended June 30, 2002 through 2005 have been derived from the Financial Statements of the Agency and are qualified in their entirety by reference to such statements, including the notes thereto. The results for the year ended June 30, 2006 are preliminary estimates and are unaudited. All results exclude certain non-cash items and include certain other adjustments. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

**Central Marin Sanitation Agency Wastewater Treatment System
Summary of Historic Operating Results
Fiscal Years Ended June 30**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> ⁽¹⁾ (unaudited)
Revenues					
Service Charges					
SRSD	\$2,001,104	\$2,146,932	\$2,185,680	\$2,337,375	\$2,522,176
SD1	2,773,432	2,874,528	3,004,400	3,244,008	3,742,184
SD2	580,424	614,879	672,000	696,336	784,751
Total Service Charges	<u>5,354,960</u>	<u>5,636,339</u>	<u>5,862,080</u>	<u>6,277,719</u>	<u>7,049,111</u>
Interest Earnings	438,436	269,673	65,883	109,808	116,000
Other	419,734	395,843	478,594	763,289	1,283,585
Total Revenues	<u>6,213,130</u>	<u>6,301,855</u>	<u>6,406,557</u>	<u>7,150,816</u>	<u>8,448,696</u>
 Operating Expenses ⁽²⁾	 5,719,729	 7,542,345	 6,032,332	 6,589,764	 7,249,758
 Agency Net Revenues	 <u>493,401</u>	 <u>(1,240,490)</u>	 <u>374,225</u>	 <u>561,052</u>	 <u>1,198,938</u>

(1) Derived from unaudited actual results for Fiscal Year 2005-06.

(2) Excludes capital expenditures and depreciation.

Source: Central Marin Sanitation Agency.

Projected Operating Results and Debt Service Coverage. The Agency's projected consolidated operating results for the enterprise funds related to the System for the fiscal years ending June 30, 2007 through 2010 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the Agency's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the Agency's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period will vary from those presented in the forecast and such variations may be material.

**Central Marin Sanitation Agency Wastewater Treatment System
Projected Operating Results
Fiscal Years Ended June 30**

	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>
Revenues				
Service Charges	\$3,120,949	\$	\$	\$
	<u>3,305,059</u>	<u>4,090,750</u>	<u>4,946,244</u>	<u>5,090,183</u>
SRSD	<u>4,800,098</u>	<u>6,291,676</u>	<u>7,607,446</u>	<u>7,828,829</u>
SD1	<u>025,955</u>	<u>395,278</u>	<u>859,122</u>	<u>081,704</u>
SD2	<u>982,241</u>	<u>1,287,461</u>	<u>1,556,707</u>	<u>1,602,008</u>
	<u>28,458</u>	<u>308,661</u>	<u>608,207</u>	<u>653,754</u>
Total Service Charges	<u>8,903,289</u>	<u>11,669,887</u>	<u>14,110,397</u>	<u>14,521,019</u>
Interest Earnings ⁽²⁾	241,000	318,900	321,873	324,919
Other	577,879	591,217	604,954	619,104
Total Revenues	<u>9,722,168</u>	<u>12,580,004</u>	<u>15,037,224</u>	<u>15,465,042</u>
	<u>0,178,351</u>	<u>12,819,579</u>	<u>15,562,300</u>	<u>15,993,994</u>
Operating Expenses ⁽³⁾	8,128,994	8,453,928	8,794,119	9,150,380
Agency Net Revenues	<u>1,593,174</u>	<u>4,126,076</u>	<u>6,243,105</u>	<u>6,314,662</u>
	<u>2,049,357</u>	<u>4,365,651</u>	<u>6,768,181</u>	<u>6,843,614</u>
Debt Service on CMSA Revenue Bonds	1,107,242	3,019,751	4,656,351	4,653,251
Debt Service Coverage	<u>1.44</u>	<u>1.37</u>	<u>1.34</u>	<u>1.36</u>
	<u>1.85</u>	<u>1.45</u>	<u>1.45</u>	<u>1.47</u>
CMSA Annual Charge per EDU	<u>\$160</u>	<u>\$210</u>	<u>\$255</u>	<u>\$262</u>
	<u>169</u>	<u>215</u>	<u>264</u>	<u>271</u>

⁽¹⁾ Assumptions for revenues projections includes (i) total EDUs related to service charges are constant as of FY07 budget; (ii) service charge revenue associated with operations and maintenance costs will increase 5% per year; (iii) other revenues will increase about 2% per year based on economic trends; and (iv) Annual Charges per EDU are established as shown and that Participating Members adopt adequate rates that generate sufficient revenues to make payments to CMSA (under the Payment Agreement, the Participating Members are required to set adequate rates for such payments).

⁽²⁾ Includes estimated interest earnings on \$4,754,281 in the Reserve Fund based on an assumed interest rate of 4.26%.

⁽³⁾ Excludes capital expenditures, debt service and depreciation. Assumptions for operating expenses projections includes anticipated increases in salary based on labor agreements (3%), and estimated employee benefits (6%) and non-labor costs (4%) based on economic factors and trends. It is expected that operating costs will be minimally affected by the Series 2006 Project because the improvements are for high wet weather treatment activity that is estimated to be less than 10 days per year.

Source: Central Marin Sanitation Agency.

Capital Improvement Program

In addition to the Series 2006 Project to be funded with the proceeds of the Series 2006 Bonds, the Agency's Ten Year Capital Improvement Program currently estimates approximately \$33 million in repair and replacement projects and capital improvement projects over the next ten years to be financed through a combination of service charges and potential additional bonding. The repair and replacement projects include electrical systems upgrade, plant gate rehabilitation, coating, outfall repairs, process control system upgrades, digesters, hydraulic power, tanks, heat exchanger, and facilities improvements. Capital improvement projects include biosolids and facility seismic analyses, and fire system upgrades. Potential future capital projects for bond financing includes chemical tanks, pumps, clarifiers, headworks, biotower distribution, heat exchanger, standby-generator and sludge thickening improvements.

Insurance

The Agency procures its property, general liability, pollution legal liability, and workers compensation insurance through the California Sanitation Risk Management Authority (CSRMA) with the following prescribed limits of coverage. The Agency does not insure for earthquake or flood. The Agency's insurance coverages could change in the future.

<u>Coverage</u>	<u>Limits</u>
General Liability	\$1,000,000
Excess Liability	\$10,000,000
Property	\$67,500,000
Pollution Legal Liability	\$1,000,000
Workers Compensation	\$25,000,000

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS

Article XIII B Gann Limit

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to

an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The Participating Members are of the opinion that their charges with respect to Wastewater Service do not exceed the costs they reasonably bear in providing wastewater service and are not subject to the limits of Article XIII B.

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIID. Article XIID defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership."

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, a local government's ability to increase such fee or charge may be limited by a majority protest. The Participating Members have complied with the requirements with respect to their current charges.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service, (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed, (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately

available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC is not generally believed to grant to the voters the power to repeal or reduce wastewater rates and charges in a manner which would be inconsistent with contractual obligations, including but not limited to, the Payment Agreement. However, there can be no assurance of the availability of particular remedies adequate to protect the interests of Bond Owners. Remedies available to Bond Owners in the event of a default by the Agency or the Participating Members are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

On July 24, 2006, the California Supreme Court concluded in *Bighorn-Desert View Water Agency v. Beringson* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Section 3 of Article XIIC, which establishes that the initiative power of the electorate "shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." Therefore, the Court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. However, the Court specifically noted that it was not holding that the initiative power is free of all limitations; and the Court stated that it was *not* determining whether the electorate's initiative power is subject to certain statutory provisions applicable to the Bighorn-Desert View Water Agency that require water service charges to be set at certain minimum levels to cover operating expenses, debt service and certain other costs.

Certain aspects of the impact of Proposition 218 in these and other areas remain unclear as court decisions interpreting the application of Proposition 218 to various circumstances continue to be published on a frequent basis.

The Participating Members believe that their rates with respect to the Wastewater Service comply with the requirements of Proposition 218 and expect that future fees and charges will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto. The requirements of, or a voter initiative pursuant to, Proposition 218 could impact the ability of the Participating Members to set or raise service charges.

Future Initiatives

Articles XIIB, XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the revenues of the Agency or the Participating Members.

RISK FACTORS

The purchase of the Series 2006 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Series 2006 Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Revenues; Rate Covenant

Agency revenues are dependent upon cooperation with the Participating Members and their ability to pay the Payments under the Payment Agreement. The revenues of Participating Members are, in turn, dependent upon their ability to set and collect rates and charges for wastewater services, which can be affected by population factors, more stringent wastewater standards, wastewater regulations, voter initiatives or protest procedures, changes in law or problems with the Agency's wastewater treatment facilities. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. Increases in costs for wastewater services could require an increase in rates or charges.

Enterprise Expenses

There can be no assurance that expenses of the Agency or the Participating Members will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, and increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture.

Environmental Regulation

The Agency's Wastewater Treatment System and the wastewater systems of the Participating Members are regulated by the federal government and the State of California. If the federal government, acting through the Environmental Protection Agency or additional legislation, or the State should impose stricter wastewater quality standards upon the Agency or the Participating Members, expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. Although the purpose of the Series 2006 Project is to meet current and reasonably foreseeable requirements in the Agency's NPDES permit and therefore put the Agency in the best position possible to meet future requirements, it is not possible to predict the direction which federal or State regulation will take with respect to wastewater treatment standards.

Insurance

The Indenture obligates the Agency to obtain and keep in force various forms of insurance or self-insurance for repair or replacement of a portion of the Wastewater Treatment System in the event of damage or destruction to such portion of the Wastewater Treatment System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any portion of the Wastewater

Treatment System. Significant damage to the Wastewater Treatment System could cause the Agency to be unable to generate sufficient Net Revenues to pay the Series 2006 Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the Agency to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay the Series 2006 Bonds and the ability of the Participating Members to comply with their covenants under the Payment Agreement may be adversely affected by actions and events outside of the control of the Agency and/or the Participating Members, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS - Proposition 218" above. Furthermore, any remedies available to the Owners of the Series 2006 Bonds upon the occurrence of an event of default under the Indenture and the Payment Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the express limitations on Bondowners remedies contained in the Indenture, the rights and obligations under the Series 2006 Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. The opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Series 2006 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

Earthquakes, Floods, Fires or Other Natural Conditions

Earthquakes, floods, fires or other natural disasters could interrupt operation of the Wastewater Treatment System and/or the wastewater systems of the Participating Members and cause increased costs and thereby interrupt the ability of the Agency and/or the Participating Members to realize the revenues sufficient to pay Series 2006 Bonds. The Agency and the Participating Members are located in an active seismic area. Neither the Agency nor the Participating Members are obligated under the Indenture or the Payment Agreement to have earthquake or flood insurance.

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix C attached hereto for a summary of

the definition of Permitted Investments. See the Agency's financial statements attached as Appendix B for a summary of the Agency's investments as of the date of such financial statements. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Agency could have a material adverse effect on the security of the Series 2006 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Series 2006 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2006 Bonds were issued, as a result of future acts or omissions of the Agency in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2006 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

CONTINUING DISCLOSURE

The Agency and the Participating Members have covenanted for the benefit of the beneficial owners of the Series 2006 Bonds to provide certain financial information and operating data no later than 210 days following the end of the fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year 2005-06, and the Agency has covenanted to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in Appendix E — "FORMS OF CONTINUING DISCLOSURE CERTIFICATES."

APPROVAL OF LEGAL PROCEEDINGS

The legal opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, approving the validity of the Series 2006 Bonds, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the Series 2006 Bonds, and a copy thereof will accompany each Bond. Certain matters with respect to this Official Statement will be considered on behalf of the Agency by Hawkins Delafield & Wood LLP as Disclosure Counsel to the Agency. Certain matters will be passed upon for the Agency by County Counsel of Marin County, San Rafael, California, acting as Counsel to the Agency.

Payment of the fees of Bond Counsel and Disclosure Counsel are contingent upon issuance of the Series 2006 Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2006 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2006 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency in connection with the Series 2006 Bonds, and Bond Counsel has assumed compliance by the Agency with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2006 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Agency, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences on the Series 2006 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issuance date, and assumes no obligation to update its opinion after the issuance date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2006 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Series 2006 Bonds in order that interest on the Series 2006 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2006 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2006 Bonds to become included in gross income for Federal income tax purposes retroactive to their issuance date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2006 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters on the Series 2006 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2006 Bond. Prospective investors, particularly those

who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2006 Bonds.

Prospective owners of the Series 2006 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2006 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2006 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2006 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2006 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2006 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2006 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2006 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Series 2006 Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Series 2006 Bonds.

Bond Premium

In general, if an owner acquires a Series 2006 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts

payable with respect to the Series 2006 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2006 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Series 2006 Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Series 2006 Bonds.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2006 Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2006 Bonds.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2006 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series 2006 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency and the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), that must be satisfied subsequent to the issuance of the Series 2006 Bonds to assure that interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Tax Code might cause interest (and original issue discount) to be included in gross income for federal income tax purposes

retroactive to the date of issuance of the Series 2006 Bonds. The Agency and the Agency have covenanted to comply with all such requirements.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2006 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2006 Bonds might be affected as a result of such an audit of the Series 2006 Bonds (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest (and original issue discount) is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Tax Code, the ownership of the Series 2006 Bonds and the accrual or receipt of interest (and original issue discount) on the Series 2006 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2006 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Series 2006 Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

LITIGATION

There is no action, suit or proceeding pending or, to the knowledge of the Agency, threatened at the present time seeking to restrain or to enjoin the sale or delivery of the Series 2006 Bonds or in any way contesting or affecting the validity or enforceability of the Series 2006 Bonds, the Indenture or the Payment Agreement or any action of the Agency contemplated by any of said documents.

FINANCIAL STATEMENTS

Vavrinek, Trine, Day & Co., LLP audited the financial statements of the Agency for the Fiscal Year ended June 30, 2005. The firm's examination was made in accordance with generally accepted auditing standards. See "APPENDIX B – CMSA AND PARTICIPATING MEMBERS AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005."

The Agency has not requested nor did the Agency obtain permission from Vavrinek, Trine, Day & Co., LLP to include the audited financial statements as an appendix to this Official Statement. Accordingly, Vavrinek, Trine, Day & Co., LLP has not performed any post-audit review of the financial condition or operations of the Agency.

The financial statements of the Participating Members for the year ended June 30, 2005 are attached as Appendix B.

RATINGS

Upon issuance of the Series 2006 Bonds, Moody's Investor's Service ("Moody's) and Standard & Poor's, a division of McGraw-Hill Companies ("S&P") are expected to assign the Series 2006 Bonds ratings of "Aaa," and "AAA," respectively, with the understanding that, upon delivery of the Series 2006 Bonds, the Policy will be issued by the Bond Insurer. Moody's and S&P furnished underlying ratings on the Series 2006 Bonds of "A1" and "AA" respectively. The Agency has furnished Moody's, S&P and the Bond Insurer information and material which have not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agencies. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2006 Bonds.

UNDERWRITING

The Series 2006 Bonds are being purchased by UBS Securities LLC as underwriter (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all of the Series 2006 Bonds described on the cover page of this Official Statement at an aggregate purchase price of \$69,496,625 (which is equal to the par amount of the Series 2006 Bonds, less underwriter's discount of \$380,764.20 and plus a net original issue premium of \$1,147,389.20.

The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2006 Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, and banks acting as agent and others at prices lower than such public offering prices.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive, and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or registered owners of any of the Series 2006 Bonds. The delivery and distribution of this Official Statement have been duly authorized by the Agency.

CENTRAL MARIN SANITATION AGENCY

By: _____ Jason Dow

General Manager

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APPENDIX A

**INFORMATION ON THE PARTICIPATING MEMBERS AND INFORMATION
ABOUT THE CMSA SERVICE AREA**

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SAN RAFAEL SANITATION DISTRICT

General

San Rafael Sanitation District (the “District”) is located in Marin County, California (the “County”) and serves a portion of the City of San Rafael, approximately 18 miles north of downtown San Francisco. The District is a county sanitation district formed in 1947 under Section 4700 of the California Health and Safety Code. The District provides wastewater collection and transmission over its entire service area, which is comprised of the southern two-thirds of the City of San Rafael and adjacent unincorporated areas. As of January 1, 2006, the District’s service area had an estimated population of 37,000 and for fiscal year 2005-06 has an assessed value of \$5,890,541,865. See also “Economic and Demographic Information” below.

Governance and Management

The District is governed by a three-member Board of Directors (the “Board”). The City of San Rafael City Council appoints two of the District’s three board members and may also remove them at will. The County of Marin appoints one of the District's three board members and may also remove that member at will. Currently Steve Kinsey, is appointed to the District Board by the County Board of Supervisors; the other Board members are appointed to the District Board by the San Rafael City Council. Directors are appointed to serve four-year terms. The current directors and the expiration dates of their terms are set forth below.

<u>Member</u>	<u>Title</u>	<u>Expiration of Term</u>
Albert J. Boro	Chairman	November 2007
Paul M. Cohen	Secretary/Director	November 2007
Steve Kinsey	Director	January 2009
Cyr N. Miller	Alternate Director	November 2009

The District contracts for its staff with the City of San Rafael. Capital projects and some maintenance projects are bid and performed by third-party contractors in the normal course of business. Day-to-day management of the District is provided by Andrew Preston, District Administrator and Public Works Director of the City. Mr. Preston has been with the District since January 1996, and has 10 years of utility management experience.

Wastewater System

The District operates and maintains approximately 130 miles of collection sewer lines and 32 pumping stations which collect, pump and transport an average of approximately 4.6 million gallons per day (“MGD”) of sewage to the Central Marin Sanitation Agency for treatment and disposal.

Service Area and Customers

The District serves an area of approximately 11 square miles. Population of the service area is currently estimated to be 37,000.

The table below shows the number of wastewater customers served by the District by equivalent dwelling unit and broken down by classification of user for fiscal years ending June 30, 2002, through 2006.

**San Rafael Sanitation District
Wastewater System
of Equivalent Dwelling Units Served
by Classification of User**

As of June 30

<u>User Type</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Single Family Residential	7,003	7,006	7,009	7,007	7,034
Multiple Family Residential	7,726	7,740	7,735	7,770	7,668
Commercial/Institutional	5,037	4,640	4,633	4,612	4,485
Other (e.g. governmental agencies)	<u>217</u>	<u>161</u>	<u>228</u>	<u>205</u>	<u>202</u>
Total	19,983	19,547	19,605	19,594	19,389

Source: San Rafael Sanitation District.

The table below shows the wastewater revenues of the District broken down by class of users for fiscal years 2005-06.

**San Rafael Sanitation District
Wastewater System
Service Charge Revenues by Class of User
Fiscal Year 2005-06**

<u>User Class</u>	<u>Fiscal Year Service Charge Revenue</u>	<u>Percentage of Operating Revenue</u>
Single Family Residential	\$2,229,778	36.3%
Multiple Family Residential	2,430,756	39.6
Commercial/Institutional	1,421,745	23.1
Other (e.g. governmental agencies)	<u>64,034</u>	<u>1.0</u>
Total	\$6,146,313	100.0%

Source: San Rafael Sanitation District.

The table below shows the ten largest wastewater customers of the District for fiscal year 2005-06.

**San Rafael Sanitation District
Largest Users
Fiscal Year 2005-06**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Service Charge Revenue</u>
61 Novato Street Apartments	Apartments (187 Units)	\$59,279	0.96%
Whole Foods	Retail Grocery Store	43,429	0.71
Albert Lofts	Apartments (125 Units)	39,625	0.64
Rotary Manor	Retirement Facility (99 Units)	31,383	0.51
330 Canal Street Apartments	Apartments (96 Units)	30,432	0.50
400 Canal Street Apartments	Apartments (96 Units)	30,432	0.50
Bridge Housing (302 Fourth St.)	Apartments (83 Units)	26,311	0.43
Aldersly	Retirement Facility (79 Units)	25,043	0.41
240 Canal Street Apartments	Apartments (74 Units)	23,458	0.38
Martinelli House (1327 Lincoln Ave.)	Apartments (66 Units)	<u>20,922</u>	<u>0.34</u>
Total		\$330,314	5.37%

Source: San Rafael Sanitation District.

Wastewater Rates

The District has the power to establish rates and charges as needed to operate its Wastewater System. Its charges are established by its governing board and are not subject to review or approval by any other agency. The District principally relies on service charges and connection fees.

Ordinance No. 57 of the District, adopted on August 2, 2006, established the District's present service charges, which went into effect on September 1, 2006. The Board of the District annually prepares a written report for the Marin County Tax Collector which contains a description of each parcel receiving sewer service and the amount of the charge for each parcel for such fiscal year, in conformance with Ordinance No. 57 (except for governmental agencies which are billed directly). The charge appears as a separate item on the tax bill, and is collected at the same time and in the same manner as ordinary County ad valorem property taxes, and is subject to the same penalties and the same procedure and sale in case of delinquency as provided for such taxes.

Sewer service charges are billed and collected on behalf of the District by the County of Marin as a separate component of semi-annual property tax billings. Property taxes are due in equal installments on November 1 and February 1, and become delinquent if not paid by December 10 and April 10. In accordance with Teeter Plan, the County remits to the District the

full amounts of all charges which are assessed and the County retains collections of any past due amounts.

Service Charges. Rates charged to residential and commercial users are calculated according to Ordinance No. 57. Residential users are charged at a flat rate for each living unit. Commercial users are charged one equivalent dwelling unit (EDU) for every 1,000 cubic feet of average monthly water consumption determined from the latest winter water consumption records (mid-December to mid-February) available from Marin Municipal Water District. High strength users (restaurants, bakeries, markets with garbage disposals, and mortuaries) are charged by multiplying the number of EDUs by the high-strength factor of 2.34. The table below sets forth the current and adopted future sewer service charges.

**San Rafael Sanitation District
Sewer Service Charges per Equivalent Dwelling Unit**

<u>Fiscal Year</u>	<u>Charges per EDU*</u>
2005-06	\$317
2006-07	396
2007-08	477
2008-09	561
2009-10	603
2010-11	647

*Includes CMSA charges.

Connection Fees. The District collects a fee for each new connection to its maintained sewer line. The fee represents a reimbursement of the cost of the connection. The District also collects a capacity charge fee on behalf of CMSA from the user and forwards these funds to CMSA to be used for its operations. Connection fees are currently calculated by the number of fixture units for commercial establishments and are a flat rate for residential establishments times the number of living units. Second units are not charged a sewer connection fee if they are constructed on the same parcel as the original dwelling unit, are owned by the same owner, and connect to the same sewer lateral as the original dwelling unit. If the second unit is connected to the sewer by a separate sewer lateral, the property owner is charged a reduced fee.

The current connection fee is \$2,461 (per living unit for residential), \$1,023 (for second units meeting the criteria for a reduced fee), and \$2,461 for the first 16 plumbing fixture units plus \$154 for each fixture unit over 16 (for commercial establishments and public agencies) pursuant to Ordinance No. 56. A capacity charge fee is also collected on behalf of CMSA in addition to the District's connection fees.

Each year, commencing on July 1, 2006, and continuing thereafter on each July 1, the sewer connection fee is adjusted by an increment determined by the change in the base index as shown in the Engineering News Record Construction Cost Index for San Francisco. The base index for Ordinance No. 56 is 8265 as of September 2005. However, the District Board may, at

its discretion, postpone the adjustment for any successive year. The table below sets forth current and any adopted future connection fees.

**San Rafael Sanitation District
Current Connection Fees**

<u>Fee Type</u>	<u>Amount</u>
Administrative/Inspection fee	\$1,023
Single family residence	2,461
Multiple dwelling, per unit	2,461
Commercial establishments for the first 16 plumbing fixture units plus \$154.00 for each fixture unit over 16	2,461
Public schools and public agencies for the first 16 plumbing fixture units plus \$154.00 for each fixture unit over 16	2,461

Collection History. The District does not experience any delinquencies for most of its collections because rates are collected on the property tax bill and are included in the County’s Teeter Plan (except government agency sewer customers which are billed directly and do not pay service charges on the tax bill). Pursuant to the County’s Teeter Plan method of tax collection, the District receives 100% of charges levied on the tax bill without reductions for delinquencies.

Property Taxes

The District receives an allocation of property taxes pursuant to State law that amounted to \$125,959 in fiscal year 2004-05 and \$179,479 in fiscal year 2005-06 or 1.8% and 2.9% of total revenues, respectively. As part of the State’s budget process in recent years, property tax revenues to the District and other special districts has been shifted away to other purposes. Although Proposition 1A is expected to prevent this shift, the District has budgeted \$200,000 in property tax revenues for FY 2006-07.

Existing Long-Term Obligations and Planned Capital Improvements

In May 2001, the District sold \$4,710,000 principal amount of Certificates of Participation (the “2001 Certificates”). The 2001 Certificates refinanced 1991 certificates of participation and the District’s share of a new corporation yard. The 2001 Certificates mature in installments through August 1, 2012. The 2001 Certificates are secured by a pledge of the District’s net wastewater revenues.

Planned future capital improvements to the District’s System were approved in the District’s Capital Improvement Program, last updated and adopted in May 2003. The District’s planned capital improvements include a series of projects to upgrade and replace aging sewer systems in the City of San Rafael mainly installed prior to 1960. The total program amounts to approximately \$16 million expected to be paid on a pay-as-you-go basis over a remaining 6-year

period at \$1,400,000 for the fiscal year 2005-06 and increasing \$100,000 each year thereafter through 2010-11. See “Wastewater System” above and “Financial Information – Projected Operating Results and Debt Service Coverage” below.

The District has adopted an 80-year lifecycle replacement program, which will consist of replacing the 130 miles of gravity sewers at 1.6 miles of sewer line each year over an 80-year period. The annual cost of this replacement program is estimated at \$2.6 million plus inflation.

Financial Information

Financial Statements. A copy of the most recent audited financial statements of the District prepared by the District and audited by the District’s accountant (the “Auditor”) is included in Appendix A hereto (the “Financial Statements”). The Auditor’s letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2005 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

Historic Operating Results. The following table is a summary of operating results of the District for the fiscal years ending June 30, 2003 through 2005 that have been derived from the audited financial statements of the District and are qualified in their entirety by reference to such statements, including the notes thereto. The results for the fiscal year ending June 30, 2006 are estimated as of the date of this official statement and are based upon budget. All results exclude certain non-cash items and include certain other adjustments. The District’s Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

San Rafael Sanitation District

**Summary of Historic Operating Results
Fiscal Years Ended June 30**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> (unaudited)
Revenues				
Sewer Service Charges	\$5,529,231	\$5,776,012	\$6,011,052	\$6,146,313
Property taxes	560,269	591,078	125,959	179,479
Interest Earnings	104,358	75,739	117,348	210,390
Other ⁽²⁾	<u>141,314</u>	<u>154,919</u>	<u>609,419⁽²⁾</u>	<u>645,804⁽²⁾</u>
Total Revenues	\$6,335,172	\$6,597,748	\$6,863,778	\$7,181,986
Operating Expenses				
District O&M ⁽¹⁾	\$1,751,422	\$2,016,296	\$1,876,850	\$2,513,416
Payments to CMSA	<u>2,146,932</u>	<u>2,185,680</u>	<u>2,337,375</u>	<u>2,522,176</u>
Total Expenses	\$3,898,354	\$4,201,976	\$4,214,225	\$5,035,592
District Net Total Revenues	<u>\$2,436,818</u>	<u>\$2,395,772</u>	<u>\$2,649,553</u>	<u>\$2,146,394</u>

⁽¹⁾ Excludes depreciation and capital expenditures.

⁽²⁾ Includes surplus ERAF moneys from County of Marin not allocated to school districts.

Source: San Rafael Sanitation District.

Projected Operating Results and Debt Service Coverage. The District's estimate of projected operating results for the System for the fiscal years ending June 30, 2007 through 2010 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period will vary from those presented in the forecast and such variations may be material.

**San Rafael Sanitation District
Wastewater System
Projected Operating Results
Fiscal Years Ended June 30**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues ⁽¹⁾				
Sewer Service Charges	\$7,703,044	\$9,273,553	\$10,902,229	\$11,716,567
Property Taxes	200,000	200,000	200,000	200,000
Interest Earnings	200,000	200,000	200,000	200,000
Other	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Revenues	\$8,203,044	\$9,773,553	\$11,402,229	\$12,216,567
Operating Expenses ⁽²⁾				
District O&M	\$2,639,087	\$2,771,041	\$2,909,593	\$3,055,073
Payments to CMSA ⁽³⁾	<u>3,305,059</u>	<u>4,205,523</u>	<u>5,168,144</u>	<u>5,314,513</u>
Total Operating Expenses	\$5,944,146	\$6,976,564	\$8,077,737	\$8,369,586
Net Revenues	<u>\$2,258,898</u>	<u>\$2,796,989</u>	<u>\$3,324,492</u>	<u>\$3,846,981</u>

⁽¹⁾ Assumptions for Revenues include 2006 base EDUs times adopted rate increases and all other revenues are assumed to be flat.

⁽²⁾ Excludes depreciation, capital expenditures and debt service. Assumes 5% annual increase in operating expenses. Source: San Rafael Sanitation District.

⁽³⁾ Payments to CMSA includes amounts payable under the Payment Agreement equal to the District's allocable portion of the debt service on the CMSA Series 2006 Bonds, plus amounts required to satisfy the rate covenant under the Indenture for the CMSA Series 2006 Bonds (125% of debt service). The District's allocable portion of debt service on the CMSA Series 2006 Bonds has been assumed to be 35%. This percentage will be determined under the Payment Agreement based on an annual estimate of EDUs served in the District. Source: San Rafael Sanitation District.

Litigation

The District states that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, threatened that may result in any material adverse change relating to the finances or operations of the District or its wastewater system.

Seismic Risks

The District is located in a seismically active region of northern California. The District's wastewater collection system and future planned capital improvements to the system have been or will be designed to meet all applicable seismic standards. However, there can be no assurance that seismic activity will not significantly damage the District's wastewater collection system or adversely affect the local economy.

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SANITARY DISTRICT NO. 1 OF MARIN COUNTY

(ROSS VALLEY SANITARY DISTRICT)

General

Sanitary District No. 1 of Marin County, California, also known as Ross Valley Sanitary District (the "District") is located in Marin County (the "County"), approximately 16 miles north of downtown San Francisco. Incorporated in 1899 as California's first sanitary district, the District is a special enterprise district organized under the California Health and Safety Code and the Sanitary Acts of 1891 and 1923. The District service area generally covers the area known as the Ross Valley and includes the towns of Fairfax, San Anselmo, and Ross, the City of Larkspur (including the unincorporated area of Bon Air), and the unincorporated areas known as Sleepy Hollow, Kentfield, Kent Woodlands, Oak Manor and Greenbrae. Under contract, the District also serves the wastewater collection systems in Murray Park and San Quentin State Prison. As of January 1, 2006, the District's service area had an estimated population of approximately 50,000, and for fiscal year 2005-06 has an assessed value of \$8,505,927,475. See also "Economic and Demographic Information" below.

Governance and Management

The District is governed by a five-member Board of Directors (the "Board") elected at-large. Election of Directors is consolidated with the June Primary Election, with three and two Directors being elected in alternating, even-numbered years, respectively. Directors are elected to serve four-year terms. The current directors and the expiration dates of their terms are set forth below.

<u>Member</u>	<u>Title</u>	<u>Expiration of Term</u>
Sue Brown	President	July 1, 2008
Patty Burke	Secretary	July 6, 2010
Patrick Guasco	Treasurer	July 6, 2010
Brian Oliva	Alt. Secretary	July 1, 2008
Steve Vanni	Alt. Treasurer	July 6, 2010

Day-to-day management of the District is provided by Barry K. Hogue, District Manager. Mr. Hogue has been with the District since January 25, 1993 and has 12 years of utility management experience.

Wastewater System

The District operates and maintains approximately 180 miles of collection sewer lines and 20 pumping stations which collect, pump and transport an average of approximately five (5) million gallons per day ("mgd") of sewage to CMSA for treatment and disposal.

Service Area and Customers

The District serves an area of approximately 26.75 square miles. Population of the service area is currently estimated to be approximately 50,000.

The table below shows the number of wastewater customers served by the District by equivalent dwelling unit and broken down by classification of user for fiscal years ending June 30, 2002 through 2006.

**Ross Valley Sanitary District
Wastewater System
of Equivalent Dwelling Units Served
by Classification of User
As of June 30**

<u>User Type</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Single Family Residential	12,203	12,158	12,191
Multiple Family Residential	6,588	6,567	6,557
Commercial/Institutional	2,747	2,747	2,681
San Quentin State Prison	4,609	5,090	7,883
Other (e.g. governmental agencies)	<u>600</u>	<u>668</u>	<u>498</u>
Total	26,747	27,230	29,810

Source: Ross Valley Sanitary District.

The table below shows the wastewater revenues of the District broken down by class of users for fiscal years 2004-05.

**Ross Valley Sanitary District
Wastewater System
Revenues by Class of User
Fiscal Year 2005-06***

<u>User Class</u>	<u>Fiscal Year Service Charge Revenue</u>	<u>Percentage of Service Charge Revenue</u>
Single Family Residential	\$2,744,251	40%
Multiple Family Residential	1,500,689	23
Commercial/Institutional	613,061	9
San Quentin State Prison	118,854	2
Other (e.g. governmental agencies)	<u>1,710,513</u>	<u>26</u>
Total	\$6,687,368	100%

*Unaudited.

Source: Ross Valley Sanitary District.

The table below shows the ten largest wastewater customers of the District for fiscal year 2004-05.

**Ross Valley Sanitary District
Largest Users
Fiscal Year 2004-05**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Sewer Service Charge Revenue</u>
State of California (San Quentin Prison)*	Prison	\$1,094,350	18.17%
Marin County Hospital District	Hospital	53,965	0.90
Upper Skylark LLC	Apartments	39,420	0.65
Lincoln Village	Apartments	32,680	0.54
Upper Skylark LLC	Apartments	30,660	0.51
Lincoln Larkspur Apartments	Apartments	30,530	0.51
Inland Western Larkspur	Commercial	29,670	0.49
Marin County DPW-Murray Park	Residential	25,988	0.43
Tamalpais Retirement Home	Retirement Living	23,865	0.40
Lower Skylark LLC	Apartments	<u>23,360</u>	<u>0.39</u>
Total		\$1,384,488	22.99%

Source: Ross Valley Sanitary District.

*The District has an agreement with San Quentin Prison to maintain the Prison's pump station and collect its wastewater. Under this agreement, the District charges the Prison the same rates as other commercial users with adjustments possible for higher strength factors.

Wastewater Rates

The District has the power to establish rates and charges as needed to operate its Wastewater System. Its charges are established by its governing board and are not subject to review or approval by any other agency. The District principally relies on the following charges and fees: service charges and connection fees.

Ordinance No. 58 of the District, adopted on August 1, 2006 established the present service charges which have been in effect since July 1, 2006. The Board of the District annually prepares a written report for the Main County Tax Collector which contains a description of each parcel receiving sewer service and the amount of the charge for each parcel for such fiscal year, in conformance with Ordinance No. 58 (except for governmental agencies which are billed directly). The charge appears as a separate item on the tax bill, and is collected at the same time and in the same manner as ordinary County ad valorem property taxes, and is subject to the same penalties and the same procedure and sale in case of delinquency as provided for such taxes. If the District determines that a user is exceeding the use for which the user is charged on its tax bill, the District may impose an additional service charge.

Sewer service charges are billed and collected on behalf of the District by the County of Marin as a separate component of semi-annual property tax billings. Property taxes are due in equal installments on November 1 and February 1, and become delinquent if not paid by December 10 and April 10. In accordance with Teeter Plan, the County remits to the District the full amounts of all charges which are assessed and the County retains collections of any past due amounts.

Service Charges. The table below sets forth the current annual sewer service charges.

Ross Valley Sanitary District Annual Sewer Service Charges*

	<u>2006-07</u>
Sanitary District No. 1 (not incl. Larkspur)	\$270.00
Larkspur Area	342.00

*Includes CMSA charges

Connection Fees. The District collects a fee for each new connection to its maintained sewer line. The fee represents a reimbursement of the cost of the connection. The District also collects a capacity charge fee on behalf of CMSA from the user and forwards these funds to CMSA to be used for its operations. Connection fees are currently calculated as follows:

RESIDENTIAL:

New Construction:

District Connection Fee:	\$50 (per fixture unit w/ \$500 minimum)
District Inspection Fee:	1,000
CMSA Connection Fee:	4,282

Transfer from septic to public sewer 1,500

COMMERCIAL - New Construction:

District Connection Fee:	\$50.00 per fixture unit* w/ \$500 minimum
District Inspection Fee:	1,000.00 plus \$.20 per sq.ft. over 2,000 sq.ft.
CMSA Connection Fee:	267.63 per fixture unit* w/ \$4,282 minimum

*Connection fees are calculated by number of plumbing fixture units according to the 1985 Uniform Plumbing Code.

Collection History. The District does not experience any delinquencies for most of its collections because rates are collected on the property tax bill and are included in the County's Teeter Plan (except government agency sewer customers which are billed directly and do not pay service charges on the tax bill). Pursuant to the County's Teeter Plan method of tax collection, the District receives 100% of charges levied on the tax bill without reductions for delinquencies.

Property Taxes

The District receives an allocation of property taxes pursuant to state law that amounted to \$3,500,169 in fiscal year 2004-05 and \$3,976,085 in fiscal year 2005-06 or 35.65% and 35.74% of total revenues for such years, respectively. As part of the State's budget process in recent years, property tax to the District and other special districts has been shifted away to other purposes. Proposition 1A is expected to prevent this shift and for fiscal year 2006-07 the District budgets \$4,135,046 in property tax revenues.

Existing Long-Term Obligations and Planned Capital Improvements

As of the date of issuance of the Bonds, the District has no other outstanding long-term obligations payable from wastewater revenues.

Planned future capital improvements to the District's System include significant repairs, upgrades and improvements to the District's facilities. The District expects to spend approximately \$13 million on capital improvements in fiscal year 2006-07 and to continue to maintain its aggressive capital improvement programs by planning at least \$3-5 million of sewer main line and pump station rehabilitation projects annually. The expenditures of \$13 million for fiscal year 2006-07 will be funded from existing reserves and revenues generated during fiscal year 2006-07.

The District strives to finance all its capital improvement projects on a pay-as-you-go basis. The District contracted for a financial impact report on operations and capital improvements in 1998. The Board of Directors reviewed and approved the financial plan as prepared by Bartle Wells Associates. The District has just completed the sixth year of its seven year designed financial plan. Sewer service charge increases are needed for ongoing sewer line replacement and pump station rehabilitation, in addition to other capital improvement projects.

On October 4, 2005, the District's Board of Directors adopted the proposal for Program Management Services - Sewer System Assessment and Capital Project Planning prepared by RMC Water and Environment (Sewer System Assessment). To augment its ongoing aggressive short-term efforts to repair or replace existing infrastructure, the District is, through the Sewer System Assessment, establishing a long-term capital improvement strategic plan that will enable prioritized, continuous rehabilitation of collection system components with an emphasis on projects that relieve the most serious capacity issues first, and thereby have the greatest immediate effect on reducing sanitary sewer overflows (SSOs). This effort is being completed in parallel with an ongoing study by MWH Americas entitled SHECAP (System Hydraulic Evaluation and Capacity Assurance Plan). The combined efforts of SHECAP and the Sewer System Assessment utilize system information that is being documented in GIS-based system known as HIMCAD (History Inventory Maintenance and Condition Assessment Database).

The District has plans to complete a financial study to formulate a rate schematic for five years beyond FY 2007, based on the above-described analysis. A one-year interim study and ordinance will be prepared in FY 2007.

The District has sold an option to sell the 9.2 of its 10.7 acre property to Campus Properties ("Campus") which is in the approval process to develop the land by building town homes and a hotel. The balance of the property will be used by the District to construct replacement facilities for its operation. A joint application between Campus and the District was approved by the City of Larkspur on September 21, 2005. With the preliminary approvals obtained, Campus exercised its option to purchase the property in February 2006. At the time of closing, currently estimated to be December 2006, the District will receive \$12.5 million, which will go into its capital funds for ongoing infrastructure rehabilitation projects. The District has not yet included these revenues in its budget.

Financial Information

Financial Statements. A copy of the most recent audited financial statements of the District prepared by the District and audited by the District's accountant (the "Auditor") is included in Appendix A hereto (the "Financial Statements"). The Auditor's letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2005 and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

Historic Operating Results. The following table is a summary of operating results of the District for the fiscal years ending June 30, 2004 through 2006. The results for the fiscal years ending June 30, 2003 through 2005 have been derived from the audited financial statements of the District and are qualified in their entirety by reference to such statements, including the notes thereto. The results for the fiscal year ending June 30, 2006 are preliminary estimates and are unaudited. All results exclude certain non-cash items and include certain other adjustments. The District's Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

**Ross Valley Sanitary District
Summary of Historic Operating Results
Fiscal Years Ended June 30**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>(unaudited)</u>
Revenues				
Sewer Service				
Charges	\$5,576,803	\$5,592,576	\$6,024,095	\$6,687,368
Property taxes	3,087,886	3,336,420	3,500,169	3,976,006
Interest Earnings	162,994	138,542	201,143	311,005
Other	<u>91,458</u>	<u>151,566</u>	<u>93,730</u>	<u>150,000</u>
Total Revenues	\$8,919,141	\$9,219,104	\$9,819,137	\$11,124,379
Operating Expenses				
District O&M	\$4,139,548	\$4,214,004	\$4,002,730	\$3,371,859
Payments to CMSA	2,874,528	3,004,400	3,244,008	3,742,184
Total Expenses	<u>\$7,014,076</u>	<u>\$7,218,404</u>	<u>\$7,246,738</u>	<u>\$7,114,043</u>
District Net Revenues	<u>\$1,905,065</u>	<u>\$2,000,700</u>	<u>\$2,572,399</u>	<u>\$4,010,336</u>

⁽¹⁾ Excludes depreciation and capital expenditures.

Source: Ross Valley Sanitary District.

Projected Operating Results and Debt Service Coverage. The District's estimate of projected operating results for the System for the fiscal years ending June 30, 2007 through 2010 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period will vary from those presented in the forecast and such variations may be material.

**Ross Valley Sanitary District
Wastewater System
Projected Operating Results
Fiscal Years Ended June 30**

	<u>2007⁽¹⁾</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues ⁽²⁾				
Sewer Service Charges	\$8,284,320	\$8,698,536	\$9,133,463	\$9,590,136
Property Taxes	4,135,046	4,259,097	4,386,870	4,518,476
Interest Earnings	150,000	150,000	150,000	150,000
Other	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Total Revenues	\$12,644,366	\$13,182,633	\$13,745,333	\$14,333,612
Operating Expenses ⁽³⁾				
District O&M	\$3,907,875	\$4,103,269	\$4,308,432	\$4,523,854
Payments to CMSA ⁽⁴⁾	<u>5,025,955</u>	<u>6,395,278</u>	<u>7,859,122</u>	<u>8,081,704</u>
Total Operating Expenses	\$8,933,830	\$10,498,547	\$12,167,554	\$12,605,558
Net Revenues	<u>\$3,710,536</u>	<u>\$2,684,087</u>	<u>\$1,577,779</u>	<u>\$1,728,055</u>

⁽¹⁾ Derived from adopted budget.

⁽²⁾ Assumptions for Revenues include 3% annual increase in Property Taxes. Service Charges include assumption of annual 5% rate increases in fiscal years 2007-08 through 2009-10. These rate increases have not yet been adopted by the District and will be necessary to generate sufficient revenues to fund the payments to CMSA for debt service on the CMSA Series 2006 Bonds and amounts required to satisfy the rate covenant for the CMSA Series 2006 Bonds.

⁽³⁾ Excludes depreciation, capital expenditures and debt service. Assumes 5% annual increase in operating expenses.

⁽⁴⁾ Payments to CMSA includes amounts payable under the Payment Agreement equal to the District's allocable portion of the debt service on the CMSA Series 2006 Bonds, plus amounts required to satisfy the rate covenant under the Indenture for the CMSA Series 2006 Bonds (125% of debt service). The District's allocable portion of debt service on the CMSA Series 2006 Bonds has been assumed to be 54%. This percentage will be determined under the Payment Agreement based on an annual estimate of EDUs served in the District

Source: Ross Valley Sanitary District.

Litigation and Regulatory Matters

Other than as described below, the District states that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, threatened that may result in any material adverse change relating to the finances or operations of the District or its wastewater system.

On April 24, 2006, the District agreed to a Consent Decree and Order of the U.S. District Court, Northern District of California (the "Order") which settled allegations that the District was in violation of the federal Clean Water Act. The Order provides that the District will take steps to maintain and improve the condition of its collection system, minimize infiltration and inflow into the system and minimize sewer system overflows. The Order includes detailed scopes of work and schedules to achieve these goals. The District will also develop a long-term capital

improvement plan (January 2007) and sewer rate increases (June 2007) to implement these goals. As part of the Order, the District paid \$90,000 in attorney's fees. See "Existing Long-Term Obligations and Planned Capital Improvements" above.

On July 14, 2006, the District was fined \$78,000 by the California Regional Water Quality Control Board (the "Water Board") for an unauthorized discharge of 472,600 gallons of untreated sewage into Corte Madera Creek on December 31, 2005. The discharge occurred during a severe storm, estimated to be a 50-year storm event by the County. The discharge was caused by a shutdown of the District's Kenfield Pump Station which stopped pumping during a PG&E brownout and allowed effluent to overflow through manholes on streets. The Water Board has not had any previous enforcement actions against the District. The District will provide for \$62,000 of the fine by undertaking an environmental project relating to water quality in Corte Madera Creek.

In May 2006, a Marin County Civil Grand Jury released a report of its findings on the District (the "Report"). The Report was critical of the District, including but not limited to the following areas: inadequate reporting of sewer overflows, failing to upgrade sewer infrastructure despite significant financial reserves and failing to follow proper emergency procedures during storms. The District believes that most of the findings of the Report have been or will be addressed by the District as part of the Order (described above) and other plans and remedial actions undertaken by the District.

Seismic Risks

The District is located in a seismically active region of northern California. The District's wastewater collection system and future planned capital improvements to the system have been or will be designed to meet all applicable seismic standards. However, there can be no assurance that seismic activity will not significantly damage the District's wastewater collection system or adversely affect the local economy.

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SANITARY DISTRICT NO. 2 OF MARIN COUNTY

General

Sanitary District No. 2 of Marin County, California ("the District") is located in Marin County (the "County") and serves the Town of Corte Madera (the "Town"), located approximately 12 miles north of downtown San Francisco. The District was incorporated on January 21, 1901, and was reincorporated as a subsidiary district of the Town on January 15, 1969. The District's service area includes the Town and adjacent unincorporated areas of the Tiburon Peninsula near the neighboring town of Tiburon, and an unincorporated area of the City of Larkspur known as Greenbrae. As of January 1, 2006, District's service area had an estimated population of 15,000, and for fiscal year 2005-06 has an assessed value of \$2,419,435,515. See also "Economic and Demographic Information" below.

Governance and Management

The District is governed by a five-member Board of Directors (the "Board") comprised of the members of the Town Council of the Town (the "Council"). Council members are elected on a staggered-term basis such that three seats are filled, then the other two seats are filled, respectively, in November of alternating odd-numbered years. Each November the Mayor is chosen by the Council for a one-year term.

Board/Council members are elected to serve four-year terms. The current members and the expiration dates of their terms are set forth below.

<u>Member</u>	<u>Title</u>	<u>Expiration of Term</u>
Jin Yang	Mayor	November 2007
Melissa Jan Gill	Vice Mayor	November 2007
Carla Condon	Council Member	November 2009
John Dupar	Council Member	November 2009
Michael Lappert	Council Member	November 2009

The District contracts for its staff with the Town. Financial management of the District is provided by George T. Warman, Jr., Director of Administrative Services for the Town. Mr. Warman has 33 years of financial management experience. Day-to-day management of District facilities is provided by David Montero, Superintendent of Public Works for the Town. Mr. Montero has been with the Town since March 1999 and has 40 years of utility management experience.

Wastewater System

The District operates and maintains approximately 39½ miles of collection sewer lines and 19 pumping stations which collect, pump and transport an average of approximately 8.76 million gallons per day of sewage to CMSA for treatment and disposal.

Service Area and Customers

The District serves an area of approximately 3.84 square miles. Population of the service area is currently estimated to be 15,000.

The table below shows the number of wastewater customers served by the District by equivalent dwelling unit and broken down by classification of user for the fiscal years ending June 30, 2002 through 2006.

**Sanitary District No. 2 of Marin County
Wastewater System
of Equivalent Dwelling Units Served
by Classification of User
As of June 30**

<u>User Type</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Single Family Residential	3,020	3,060	3,063	3,067	3,075
Multiple Family Residential	728	771	867	876	704
Commercial/Institutional	1,567	1,434	1,332	1,283	1,651
Condominiums	555	554	553	553	555
Other (e.g. governmental agencies)	<u>71</u>	<u>82</u>	<u>68</u>	<u>61</u>	<u>109</u>
Total	5,941	5,901	5,883	5,840	6,094

Source: Sanitary District No. 2 of Marin County.

The table below shows the wastewater revenues of the District broken down by class of user for fiscal years 2005-06.

**Sanitary District No. 2 of Marin County
Wastewater System
Service Charge Revenues by Class of User
Fiscal Year 2005-06**

<u>User Class</u>	<u>Fiscal Year Service Charge Revenue</u>	<u>Percentage of Service Charge Revenue⁽¹⁾</u>
Single Family Residential	\$ 768,750	50.5%
Multiple Family Residential	176,000	11.6
Condominiums	138,750	9.1
Commercial/Institutional	412,750	27.1
Other (e.g. governmental agencies)	<u>27,250</u>	<u>1.8</u>
Total	\$1,523,500	100.00%*

⁽¹⁾ Unaudited.

* Actual total of percentages shown exceeds 100% due to rounding.

Source: Sanitary District No. 2 of Marin County.

The table below shows the ten largest wastewater customers of the District for fiscal year 2005-06.

**Sanitary District No. 2 of Marin County
Ten Largest Users
Fiscal Year 2005-06**

<u>User</u>	<u>Type of Business</u>	<u>Units</u>	<u>Service Charge Revenue</u>	<u>Percentage of Service Charge Revenue*</u>
The Cheesecake Factory	Restaurant	139	\$ 34,750	2.28%
Safeway	Retail/Restaurant	88	22,000	1.44
Max's	Restaurant	65	16,250	1.07
California Pizza Kitchen	Restaurant	63	15,750	1.03
Bay Club Marin	Fitness Center	59	14,750	0.97
Denny's	Restaurant	52	13,000	0.85
Il Forniao	Restaurant	49	12,250	0.80
Izzy's Steakhouse	Restaurant	46	11,500	0.75
Petroleum Sales, Inc.	Fuel/Car Wash	39	9,750	0.64
Pacific Catch	Restaurant	<u>39</u>	<u>9,750</u>	<u>0.64</u>
Total		639	\$159,750	10.47%

*Percentages reflect rounding.

Source: Sanitary District No. 2 of Marin County.

Wastewater Rates

The District has the power to establish rates and charges as needed to operate its Wastewater System. Its charges are established by its governing board and are not subject to review or approval by any other agency. The District principally relies on the following revenue sources: property taxes and sewer user service charges.

Ordinance No. 40 of the District, adopted on May 17, 2005 established the present sewer user service charges which have been in effect since July 1, 2005. The Board of the District annually submits a written report to the Marin County Tax Collector which contains a description of each parcel receiving sewer service and the amount of the charge for each parcel for such fiscal year, in conformance with Chapter 21.40 of the Corte Madera Municipal Code (except for governmental agencies which are billed directly). The charge appears as a separate item on the tax bill, and is collected at the same time and in the same manner as ordinary County ad valorem property taxes, and is subject to the same penalties and the same procedure and sale in case of delinquency as provided for such taxes. If the District determines that a user is exceeding the use for which the user is charged on its tax bill, the District may impose an additional service charge.

Sewer service charges are billed and collected on behalf of the District by the County of Marin as a separate component of semi-annual property tax billings. Property taxes are due in equal installments on November 1 and February 1, and become delinquent if not paid by

December 10 and April 10. In accordance with Teeter Plan, the County remits to the District the full amounts of all charges which are assessed and the County retains collections of any past due amounts.

Service Charges. Rates charged to residential and commercial users are calculated based on the estimated number of sewer user units in accordance with Chapter 21.40 of the Corte Madera Municipal Code. Each single family dwelling unit is assigned one sewer user unit. Non-residential users are assigned one additional sewer user unit based on use above 1,000 cubic feet per month for winter water use. Further, a strength factor is also applied to increase the number of user units for certain users with concentrated flows. The table below sets forth the current and any adopted future sewer service charges.

**Sanitary District No. 2 of Marin County
Sewer User Service Charges***

<u>Fiscal Year(s)</u> <u>(Ending June 30)</u>	<u>Charge per Sewer User Unit</u>
1993-2005	\$188.00
2006	250.00
2007	312.00
2008	374.00
2009	436.00
2010	498.00

*Includes CMSA charges.

Connection Fees. The District collects a fee for each new connection to its maintained sewer line. The District also collects a capacity charge fee on behalf of CMSA from the user and forwards these funds to CMSA to be used for its operations. Connection fees are calculated in accordance with Chapter 21.32 of the Corte Madera Municipal Code based on a study of the sewer system's capital investment, cost of operation and future expansion requirements. The connection fee is \$2,103 per sewer user unit pursuant to Ordinance No. 36. This does not include the capacity charge fee which is collected on behalf of CMSA. The table below sets forth the current connection fee.

**Sanitary District No. 2 of Marin County
Connection Fees**

<u>Effective Date</u>	<u>Fees</u> <u>(per Sewer User Unit)</u>
August 18, 2003	\$2,103

Collection History. The District does not experience any delinquencies for most of its collections because rates are collected on the property tax bill and are included in the County's Teeter Plan (except government agency sewer customers which are billed directly and do not pay service charges on the tax bill). Pursuant to the County's Teeter Plan method of tax collection, the District receives 100% of charges levied on the tax bill without reductions for delinquencies.

Property Taxes

The District receives an allocation of property taxes pursuant to state law that amounted to \$1,595,673 in fiscal year 2004-05 and \$1,775,000 in fiscal year 2005-06, or 55.6% and 53.0% of total revenues, respectively. As part of the State's budget process in recent years, property tax to the District and other special districts has been shifted away to other purposes. Proposition 1A is expected to prevent this shift and for fiscal year 2006-07 the District budgets \$1,985,000 in property tax revenues.

Existing Long-Term Obligations and Planned Capital Improvements

As of the date of issuance of the Bonds, the District has no other outstanding long-term obligations payable from wastewater revenues.

Planned future capital improvements to the District's System include the construction of pump stations and replacements and refurbishment of gravity and force mains including laterals as specified in the Sewer System Master Plan dated September 10, 2003. These improvements were expected to cost approximately \$50,000,000 (in 2003 dollars) and be constructed over the next 40 years. The District expects to complete a revised Sewer System Master Plan in 2008 and estimated costs are likely to increase. See "Wastewater System" above and "Financial Information – Projected Operating Results and Debt Service Coverage" below.

The District has borrowed approximately \$1.5 million in interfund monies from the Town as of June 30, 2006, to fund a portion of the capital improvements described above.

Financial Information

Financial Statements. A copy of the most recent audited financial statements of the District prepared by the District and audited by the District's accountant (the "Auditor") is included in Appendix A hereto (the "Financial Statements"). The Auditor's letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2005 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

Historic Operating Results. The following table is a summary of operating results of the District for the fiscal years ending June 30, 2004 through 2006. The results for the fiscal years ending June 30, 2003 through 2005 have been derived from the audited financial statements of the District and are qualified in their entirety by reference to such statements, including the notes thereto. The results for the fiscal year ending June 30, 2006 are preliminary estimates and are unaudited. All results exclude certain non-cash items and include certain other adjustments. The District's Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

**Sanitary District No. 2 of Marin County
Summary of Historic Operating Results
Fiscal Years Ended June 30**

Revenues	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>(unaudited)</u>
Sewer Service Charges	\$1,117,180	\$1,104,774	\$1,098,594	\$1,523,500
Property taxes	1,446,455	1,552,522	1,595,673	1,775,000
Interest Earnings	174,105	156,201	138,621	15,000
Other	<u>30,877</u>	<u>35,864</u>	<u>38,366</u>	<u>39,000</u>
Total Revenues	\$2,768,617	\$2,849,361	\$2,871,254	\$3,352,500
 Operating Expenses				
District O&M	\$913,194	\$923,030	\$792,272	\$866,749
Payments to CMSA	<u>614,879</u>	<u>672,000</u>	<u>696,336</u>	<u>784,751</u>
Total Expenses	\$1,528,073	\$1,595,030	\$1,488,608	\$1,651,500
 District Net Revenues	\$1,240,544	\$1,254,331	\$1,382,646	\$1,701,000

⁽¹⁾ Excludes depreciation and capital expenditures.
Source: Sanitary District No. 2 of Marin County.

Projected Operating Results and Debt Service Coverage. The District's estimate of projected operating results for the System for the fiscal years ending June 30, 2007 through 2010 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period will vary from those presented in the forecast and such variations may be material.

**Sanitary District No. 2 of Marin County
Wastewater System
Projected Operating Results
Fiscal Years Ended June 30**

	<u>2007</u> ⁽¹⁾	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues ⁽²⁾				
Sewer User Service Charges	\$1,911,000	\$2,327,000	\$2,711,000	\$3,095,000
Property Taxes	1,985,000	2,108,000	2,235,000	2,370,000
Interest Earnings	15,000	15,000	15,000	15,000
Other	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
Total Revenues	\$3,935,000	\$4,474,000	\$4,985,000	\$5,504,000
Operating Expenses ⁽³⁾				
District O&M	\$985,200	\$1,006,300	\$1,020,000	\$1,033,000
Payments to CMSA ⁽⁴⁾	<u>1,028,458</u>	<u>1,308,661</u>	<u>1,608,207</u>	<u>1,653,754</u>
Total Expenses	\$2,013,658	\$2,314,961	\$2,628,207	\$2,686,754
Net Revenues	\$1,921,342	\$2,159,039	\$2,356,793	\$2,817,246

⁽¹⁾ Derived from adopted budget.

⁽²⁾ Assumptions for Revenues include adopted rate increases and 7% annual increase in current secured property taxes.

⁽³⁾ Excludes depreciation, capital expenditures and debt service on District debt. Assumes 2% annual increase in operating expenses and projected charges from CMSA.

⁽⁴⁾ Payments to CMSA includes amounts payable under the Payment Agreement equal to the District's allocable portion of the debt service on the CMSA Series 2006 Bonds, plus amounts required to satisfy the rate covenant under the Indenture for the CMSA Series 2006 Bonds (125% of debt service). The District's allocable portion of debt service on the CMSA Series 2006 Bonds has been assumed to be 11%. This percentage will be determined under the Payment Agreement based on an annual estimate of EDUs served in the District.

Source: Sanitary District No. 2 of Marin County.

Litigation

The District states that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, threatened that may result in any material adverse change relating to the finances or operations of the District or its wastewater system.

Seismic Risks

The District is located in a seismically active region of northern California. The District's wastewater collection system and future planned capital improvements to the system have been or will be designed to meet all applicable seismic standards. However, there can be no assurance that seismic activity will not significantly damage the District's wastewater collection system or adversely affect the local economy.

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INFORMATION ABOUT THE CMSA SERVICE AREA

The following provides a limited economic and demographic profile pertaining to the regions which generally comprise the Agency's areas of service within Marin County, California.

Assessed Valuations of the Agency and Member Districts

The following tables show the assessed valuation for the Central Marin Sanitation Agency, as well as member districts consisting of the San Rafael Sanitation Agency, Sanitary District No. 1 of Marin County, and Sanitary District No. 2 of Marin County, respectively, for fiscal years 2001-02 through 2005-06.

Central Marin Sanitation Agency Assessed Valuations

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$12,184,927,371	\$3,449,963	\$315,861,776	\$12,504,239,110
2002-03	13,156,078,787	3,449,963	317,892,359	13,477,421,109
2003-04	14,120,580,476	1,464,916	335,532,357	14,457,577,749
2004-05	15,155,018,539	1,464,916	349,625,529	15,506,108,984
2005-06	16,460,540,141	1,464,916	354,993,083	16,816,998,140

Source: California Municipal Statistics, Inc.

San Rafael Sanitation District Assessed Valuations

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$4,338,421,771	\$2,778,393	\$ 92,124,899	\$4,433,325,063
2002-03	4,665,116,596	2,778,393	97,132,248	4,765,027,237
2003-04	4,976,780,166	650,445	102,383,696	5,079,814,307
2004-05	5,313,714,971	650,445	109,467,684	5,423,833,100
2005-06	5,781,413,077	650,445	108,478,343	5,890,541,865

Source: California Municipal Statistics, Inc.

**Sanitary District No. 1 of Marin County
Assessed Valuations**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$6,151,964,449	\$ 75,096	\$131,403,941	\$6,283,443,486
2002-03	6,678,380,542	75,096	127,224,965	6,805,680,603
2003-04	7,204,802,032	217,997	128,991,723	7,334,011,752
2004-05	7,737,707,050	217,997	131,501,932	7,869,426,979
2005-06	8,382,244,481	217,997	123,464,997	8,505,927,475

Source: California Municipal Statistics, Inc.

**Sanitary District No. 2 of Marin County
Assessed Valuations**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$1,693,212,635	\$596,474	\$ 92,332,936	\$1,786,142,045
2002-03	1,811,663,670	596,474	93,535,146	1,905,795,290
2003-04	1,937,946,065	596,474	104,156,938	2,042,699,477
2004-05	2,102,524,669	596,474	108,655,913	2,211,777,056
2005-06	2,295,789,298	596,474	123,049,743	2,419,435,515

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

The following table shows the existing indebtedness payable from taxes and assessments that may be levied on property within all of the Agency's service area as of June 30, 2006. Such table was prepared by California Municipal Statistics, Inc., and the Agency gives no assurances as to its accuracy. Additional indebtedness could be authorized by the Agency or other public agencies at any time.

Central Marin Sanitation Agency Direct and Overlapping Debt Statement

2005-06 Assessed Valuation:	\$16,816,998,140	
Redevelopment Incremental Valuation:	<u>1,818,009,228</u>	
Adjusted Assessed Valuation:	\$14,998,988,912	
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/06</u>
Marin Community College District	35.407%	\$ 26,555,250
San Rafael High School District	49.681	29,955,315
Tamalpais Union High School District	42.022	48,165,616
Dixie School District	0.105	9,750
Kentfield School District	97.348	22,837,721
Larkspur School District	99.305	20,168,662
Reed Union School District	12.729	6,261,395
Ross Valley School District	100.	17,379,213
San Rafael School District	79.719	57,587,651
Cities	100.	14,980,000
Community Facilities Districts	4.872-100	2,777,721
1915 Act Bonds	3.443-100	<u>2,338,148</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$249,016,442
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Marin County General Fund Obligations	35.340%	\$18,611,269
Marin County Pension Obligations	35.340	39,865,287
Marin Community College District General Fund Obligations	35.407	1,073,127
Dixie School District Certificates of Participation	0.105	1,339
San Rafael School District Certificates of Participation	79.719	3,587,355
City General Fund Obligations	6.744-99.779	7,380,579
Fire Protection District General Fund Obligations	15.416-100.	589,820
Central Marin Sanitation Agency	100.	0
Other Special District General Fund Obligations	Various	<u>1,079,264</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$72,188,040
COMBINED TOTAL DEBT	\$321,204,482 (1)	

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 1.48%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt.....0.00%

Combined Total Debt..... 2.14%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

Economic and Demographic Information for Marin County

Population. The following table shows the rate of growth for Marin County, California and the cities of Larkspur and San Rafael, which are located within the County and the Agency's service area, as of January 1 for each of the years 2002 through 2006.

<u>(January 1)</u>	<u>County of Marin</u>	<u>City of San Rafael</u>	<u>Town of San Anselmo</u>	<u>City of Larkspur</u>	<u>Town of Corte Madera</u>	<u>Town of Fairfax</u>
2002	250,448	56,698	12,418	12,087	9,432	7,362
2003	251,142	57,240	12,399	12,053	9,408	7,340
2004	251,154	57,150	12,391	12,039	9,397	7,329
2005	252,195	57,072	12,352	11,980	9,353	7,289
2006	253,341	57,349	12,418	12,040	9,399	7,326

Source: State of California, Department of Finance.

Employment. The table below lists figures for the civilian labor force and comparative unemployment rates for 2002 through 2006.

Marin County Civilian Labor Force, Employment and Unemployment (Annual Average)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006⁽¹⁾</u>
Labor Force	135,100	131,600	130,000	129,800	131,300
Employment	128,500	125,100	124,200	124,800	126,200
Unemployment	6,600	6,500	5,800	5,000	5,100
Unemployment Rate	4.9%	4.9%	4.5%	3.9%	3.9%

⁽¹⁾ Data as of July 2006.

Source: State of California, Employment Development Department

Personal Income. The following table summarizes the total effective buying income and the median household effective buying income for the County.

Marin County Effective Buying Income as of January 1

<u>Year</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
1999	\$8,639,786	\$67,615
2001	9,399,646	65,688
2002	9,210,825	60,063
2003	9,280,058	60,162
2004	9,888,678	61,606

Source: Survey of Buying Power, Sales and Marketing Management.

Major Employers. The following table shows the major employers in the County in alphabetical order.

**Marin County Major Employers
2006**

<u>Employer</u>	<u>Location</u>	<u>Industry</u>
American Legion	San Anselmo	Veterans' & Military Organizations
Autodesk Inc.	San Rafael	Computer Software-Manufacturers
Brayton Purcell Law Firm	Novato	Attorneys
College Of Marin	Kentfield	Schools-Universities & Colleges Academic
Fireman's Fund Insurance	Novato	Insurance
Golden Gate Bridge Hwy Trnsprt	San Rafael	Transportation Services
Greenpoint Mortgage Funding	Novato	Real Estate Loans
Just Water Heaters Inc.	San Rafael	Water Heaters-Dealers
Kaiser Foundation Hospital	San Rafael	Hospitals
Kentfield Rehabilitation Hosp.	Kentfield	Hospitals
Leon's Bar Bq Inc.	Mill Valley	Food Products (Wholesale)
Macy's	Corte Madera	Department Stores
Managed Health Network Inc.	San Rafael	Health Plans
Marin Community College	Kentfield	Schools-Universities & Colleges Academic
Marin County Sheriff's Dept.	San Rafael	Sheriff
Marin General Hospital	Greenbrae	Hospitals
Marin Independent Journal	Novato	Newspapers (Publishers)
Marin Municipal Water Dist.	Corte Madera	Government Offices-City, Village & Twp
Nordstrom	Corte Madera	Department Stores
Novato Community Hospital	Novato	Hospitals
San Rafael Human Resources	San Rafael	Government Offices-City, Village & Twp
Township Building Svc Co.	Novato	Janitor Service
WBE Security Control Systems	Novato	Security Guard & Patrol Service
Westamerica Bank	San Rafael	Banks
YMCA	San Rafael	Social Service & Welfare Organizations

Source: 2006 America's Labor Market Information System (ALMIS) Employer Database.

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APPENDIX B

**CMSA AND PARTICIPATING MEMBERS AUDITED
FINANCIAL STATEMENTS, JUNE 30, 2005**

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Payment Agreement which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

October __, 2006

Central Marin Sanitation Agency
San Rafael, California

*Re: \$68,730,000 Central Marin Sanitation Agency
Revenue Bonds, Series 2006*

Ladies and Gentlemen:

We have acted as bond counsel to the Central Marin Sanitation Agency (the "Agency") in connection with the issuance of its \$68,730,000 Central Marin Sanitation Agency Revenue Bonds, Series 2006 (the "Bonds"). The Agency is a joint exercise of powers agency formed pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code and a Joint Powers Agreement, dated October 15, 1979 (as amended from time to time, the "JPA Agreement"), by and among the City of Larkspur, San Rafael Sanitation District, Sanitary District No. 1 of Marin County and Sanitary District No. 2 of Marin County. The Bonds are being issued pursuant to the authority granted by the laws of the State of California, including Chapter 5 of Division 7 of Title 1 of the California Government Code, the JPA Agreement, a resolution adopted by the Agency on September 12, 2006 (the "Resolution") and a Master Indenture, dated as of October 1, 2006 (the "Master Indenture"), by and between the District and Deutsche Bank National Trust Company, as trustee (the "Trustee") and a First Supplemental Indenture, dated as of October 1, 2006 (the "Supplemental Indenture" and, collectively with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In our capacity as bond counsel to the Agency, we have reviewed the Resolution, the Indenture, the Tax Certificate of the Agency dated the date hereof (the "Tax Certificate"), certifications and resolutions of the Agency, the Trustee and others, opinions of counsel to the Agency and others, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for Federal income tax purposes. In addition, we call attention to

the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms. The Indenture creates a valid pledge of Net Revenues (as defined in the Indenture) to secure the payment of the Bonds in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Under existing statutes and court decisions, interest on the Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code. We are further of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. In rendering the opinions in this paragraph, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the Agency with respect to the use of proceeds of the Bonds and the investment of certain funds, and other matters affecting the non-inclusion of interest on the Bonds in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Agency with procedures and covenants set forth in the Tax Certificate and with the tax covenants set forth in the Indenture as to such matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

4. Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under State and local tax law.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,

APPENDIX E

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CMSA CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Central Marin Sanitation Agency (the "Agency"), dated October 19, 2006, in connection with the issuance of \$68,730,000 Central Marin Sanitation Agency Water Revenue Bonds, Series 2006 (the "Bonds"). The Bonds are being issued pursuant to the Indenture, dated as of October 1, 2006 (the "Indenture"), by and between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Members (as defined under the Indenture) have entered into the Payment Agreement, dated as of October 1, 2006 (the "Payment Agreement") with the Agency. Under the Payment Agreement each Member will pay its share of debt service on the Bonds plus certain other amounts required under the Indenture (the "Payments") which will secure in part the Bonds. The Agency covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean Deutsche Bank National Trust Company, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission (the "SEC") are listed in the SEC website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated October 12, 2006.

"Participating Underwriter" shall mean the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the Agency's fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the Name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the Agency), file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain the CUSIP numbers of the Bonds and contain or include by reference the:

1. The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to

apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updates for the last fiscal year of the information in the following tables in the Official Statement presented in substantially the same format as such tables (to the extent the Official Statement or the financial statements described in paragraph 1 above contains accurate information regarding the fiscal year covered by an Annual Report, no update shall be necessary):

- (a) Annual Charges per EDU;
- (b) Table of Member Agency EDUs; and
- (c) Summary of Historic Operating Results.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Payment Agreement or its obligations in relation to the Bonds, if material:

- 1. principal and interest payment delinquencies;
- 2. non-payment related defaults;
- 3. modifications to rights of Bondholders;
- 4. optional, contingent or unscheduled bond calls;
- 5. defeasances;
- 6. rating changes;
- 7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform; and
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Use of Central Post Office. The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any agent which is responsible for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or SEC staff (a "Central Post Office"). For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the Central Post Office has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the Central Post Office to transmit information to the National Repositories and the State Repositories will be treated for purposes of the Rule as if such information were transmitted directly to the National Repositories and the State Repositories.

SECTION 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Payments. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Dissemination Agent. The Agency hereby appoints [DISSEMINATION AGENT] to serve as the Dissemination Agent hereunder. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Agency satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Agency shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived with the consent of the Authority, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the same manner as for a Listed Event under Section 5(c).

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

CENTRAL MARIN SANITATION AGENCY

By _____
General Manager

Acknowledged as to Duties as Dissemination Agent:

DEUTSCHE BANK NATIONAL TRUST COMPANY

By _____
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Central Marin Sanitation Agency

Name of Bond Issue: Central Marin Sanitation Agency
Revenue Bonds, Series 2006

Date of Issuance: October 19, 2006

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the date required in the Continuing Disclosure Certificate. [The Agency anticipates that the Annual Report will be filed by _____.]

Dated: _____

CENTRAL MARIN SANITATION
AGENCY

By [form only; no signature required]

PARTICIPATING MEMBER CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the [MEMBER] (the "Member"), dated October 19, 2006 in connection with the issuance of \$68,730,000 Central Marin Sanitation Agency Revenue Bonds, Series 2006 (the "Bonds"). The Bonds are being issued pursuant to the Indenture, dated as of October 1, 2006 (the "Indenture"), by and between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Member has entered into a Payment Agreement, dated as of October 1, 2006 (the "Payment Agreement") with the Agency. Under the Payment Agreement the Member will pay its share of debt service on the Bonds plus certain other amounts required under the Indenture (the "Payments") which will secure in part the Bonds. The Member covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Member for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Member pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean Deutsche Bank National Trust Company, or any successor Dissemination Agent designated in writing by the Agency.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission (the "SEC") are listed in the SEC website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated October 12, 2006.

"Participating Underwriter" shall mean the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Member shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the Member's fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the Member may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Member's fiscal year changes, the Member shall promptly file a notice of such occurrence with the Repositories.

(b) Not later than fifteen (15) Business Days prior to said date, the Member shall provide the Annual Report to the Dissemination Agent (if other than the Member). If the Member is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Member shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the Name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the Member), file a report with the Member certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Member's Annual Report shall contain the CUSIP numbers of the Bonds and contain or include by reference the audited financial statements of the Member for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Member's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar

to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Member or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Member shall clearly identify each such other document so included by reference.

SECTION 5. [Reserved].

SECTION 6. Use of Central Post Office. The Member may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any agent which is responsible for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or SEC staff (a "Central Post Office"). For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the Central Post Office has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the Central Post Office to transmit information to the National Repositories and the State Repositories will be treated for purposes of the Rule as if such information were transmitted directly to the National Repositories and the State Repositories.

SECTION 7. Termination of Reporting Obligation. The Member's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Installment Payments. If such termination occurs prior to the final maturity of the Bonds, the Member shall promptly file a notice of such occurrence with the Repositories.

SECTION 8. Dissemination Agent. The Agency has appointed Deutsche Bank National Trust Company to serve as the Dissemination Agent hereunder. The Agency may, from time to time, appoint or engage a Dissemination Agent under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Member pursuant to this Disclosure Certificate.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Member from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Certificate. If the Member chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Certificate, the Member shall have no obligation under this Certificate to update such information or include it in any future Annual Report.

SECTION 10. Default. In the event of a failure of the Member to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner

of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Member satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Member shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Member agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Member under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Member may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived with the consent of the Authority, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Member shall promptly file a notice of such occurrence with the Repositories.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Member, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[MEMBER]

By _____
Authorized Officer

Acknowledged as to Duties as Dissemination Agent:

[DISSEMINATION AGENT]

By _____
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: [Member]

Name of Bond Issue: Central Marin Sanitation Agency
Revenue Bonds, Series 2006

Date of Issuance: October 19, 2006

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the Member by the date required in the Continuing Disclosure Certificate. [The Member anticipates that the Annual Report will be filed by _____.]

Dated: _____

[Member]

By [form only; no signature required]

APPENDIX F

INFORMATION CONCERNING DTC

The information in this Appendix F concerning The Depository Trust Company, New York, New York, and DTC's book entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2006 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2006 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Series 2006 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More

information about DTC can be found at www.dtcc.com and www.dtc.org; nothing contained in such websites is incorporated into this Official Statement.

Purchases of the Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006 Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2006 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006 Bond documents. For example, Beneficial Owners of the Series 2006 Bonds may wish to ascertain that the nominee holding the Series 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2006 Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Series 2006 Bonds by the Agency will reduce the outstanding principal amount of Bonds held by DTC.

In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2006 Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2006 Bonds for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Series 2006 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2006 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the Agency nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal, premium, if any, and interest on the Series 2006 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

APPENDIX G

FORM OF BOND INSURANCE POLICY