

REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
MONTECITO FIRE PROTECTION DISTRICT

Held at Fire District Headquarters, 595 San Ysidro Road, April 19, 2010. The meeting was called to order by President Jensen at 8:30 am. Present were Chief Wallace, Director Jensen, Director Venable, and Director Newquist. District Counsel T. Amspoker, and M. Manion, as well as approximately 20 members of the public were also present.

1. Mr. Reisenweber thanked for Board for their leadership throughout recent issues relating to the Upper Hyde Road reconstruction.
2. On a motion made by Director Newquist, seconded by Director Jensen the Board unanimously approved the corrected minutes of the March 15 regular Board meeting.
3. After an explanation of payments made to Cal Fire, and Tea Fire reimbursements for the Montecito Sanitary District, and outstanding account receivables from previous fires, the warrants and claims for the month of March 2010 were unanimously approved on a motion made by Director Newquist and seconded by Director Jensen. Payment to Price, Postel and Parma will be deferred until Director Venable can review the invoices.
4. Mr. Amspoker reported on public financing options for Upper Hyde Road. He advised that bond counsel prepared a petition for the owners to request the procedures for the development of a Mello-Roos District. The owners added their own language to the petition, which they are in the process to signing. He advised that he does not entirely agree with the language that was added to the petition, but this is not an agreement, it only begins the discussion process. No action needs to be to be taken when it is submitted. At a later time, the Board would adopt a resolution of intention to formally move the process on.

Mr. Amspoker reviewed two proposed cost estimates for creating a Mello-Roos District. (The proposals are attached to these minutes.) One from consultant Fieldman Rolapp, and one from MNS Engineers. He advised that it would be good to begin work with Fieldman Rolapp, because they will only charge for their services if a Mello-Roos District is formed. Mr. Amspoker recommended that the Board not hire MNS at this time, because their fees will begin to add up, regardless of whether or not the Mello-Roos District is formed.

He advised that the owners are requesting that the District bear the cost of the consulting fees for creating a Mello-Roos District.

Ms. Collins advised that generally, the owners have agreed to bear the costs of creating the road and administering the bonds. However there are costs associated with the District, such as researching their liabilities and concerns

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that should be considered the cost of doing business at the District's expense. She advised that they feel the owners should be responsible for the costs that they are in direct control over.

Mr. Amspoker advised that if the Mello-Roos District is formed, the Fire District would have an easement on the road, and it would be prudent for the District to have their own engineers who can confirm that proper construction methods have been used, that it is safe, and that it meets their standards. Some of the owners have engineers who are working pro bono or at reduced basis designing various parts of the road. These separate designs are being done by different engineers and eventually need to be integrated into one plan. The District needs an engineer to ensure that they are integrated appropriately.

If they all work together and design the road in a safe and properly engineered manner, the District's engineer may just need to review their work, which could reduce the overall consulting costs. He advised that he is not recommending that they approve the MNS proposal at this time, but rather that the District continue to work with the owners to develop a properly designed road for the least amount of money.

Mr. Krock asked if the District has obtained complete bids for the project, adding that there are other excellent engineers in area. Mr. Amspoker advised that they had not.

Mr. Amspoker recommended utilizing Fieldman Rolapp since fees won't be charged unless the Mello-Roos District is approved, but it can also be done at a later date.

Ms. Collins wanted to make sure Board is aware of their timeline. She advised that the road was divided into 5 segments, with each section having a captain that is working with an engineer. They were tasked with providing preliminary drawings by April 21 so that they could then be turned over to Coast Valley Testing to determine if soils testing will be required. They estimate that the soils testing results would be returned by May 21 and given back to the engineers to finalize the drawings of each section. They hope to have engineered drawings completed with soil testing to send out to bid by June 21. Their concern was that once the Mello-Roos petition was signed that they would have a limited time actually to vote (90 days) on whether or not to create the District.

She advised that they are also concerned with issues of prevailing wage in Mello-Roos Districts and if the estimated overhead costs (soft costs) which may be as high 15-25%, had been put out to bid or if less expensive options were being researched.

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Ms. De Sitter suggested that they get a geo technical/soils study. She advised that having a geo technical slope stability analysis done on her property saved her a tremendous amount of money. She added that her report is on file with the county. Mr. Staufenberg advised that he will look into this.

Mr. Amspoker advised that the petition language was modified to exclude the timeline restrictions and he would forward the information to Ms. Collins.

The Board took no action.

5. Mr. Amspoker reviewed three options and estimates to obtain and construct the road on the easement that runs through the DeSitter property. This document is attached to these minutes.

Mr. Amspoker advised that Ms. DeSitter had previously stated that the only way the District could obtain an increase in the easement to accommodate the road would be to exercise eminent domain, however, not if the easement were changed to began at her existing berm. He believes that if an offer is made, that it be made on option 3 which begins at the existing berm. He feels that the eminent domain process would be more expensive than the savings that would exist by choosing one of the other two options. They would also have to have a discussion with Ms. DeSitter about agreeing to not to appeal the installation of a 9' wall. Ms. DeSitter advised that the wall might be able to be lower than 9' if a technical slope stability study is done.

Director Newquist stated that he does not feel that the District wants to pursue eminent domain and asked if this forum can be used to choose an option. Mr. Amspoker advised that the Board could instruct staff to engage in discussions with Ms. DeSitter and report back to the Board. They would not be able to enter into agreement until Board directs staff to do so.

Ms. Collins advised that a value in Option #3 is not being included. The difference in construction costs to the owners is approximately \$30,000. Mr. Staufenberg pointed out that what is not on the worksheet is the cost of litigation for eminent domain, which could be much higher. She proposed that the DeSitter's consider an offset in the cost of obtaining their property if they utilize the option 3 because of the increased costs of construction.

The Board directed Staff to enter into discussions with the DeSitters.

6. Chief Wallace advised that review of meeting documentation styles will be deferred to the next meeting.

The Board took a Recess at 9:27 a.m.

The Board reconvened at 9:40 a.m.

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7. Chief Wallace advised that an offer was made to Mr. Jackson based on the appraisals that we received by the District. Mr. Jackson's attorney is obtaining an additional appraisal but the District has not received it yet.

He added that the Montecito Sanitary District has indicated that their current infrastructure would be able to provide services for a Fire Station in the location being considered for a third station, however their Board provided a letter voicing their concerns about providing additional large scale sanitation services to the area if the Jackson properties are further developed.

The Board took no action.

8. Chief Wallace advised that Director Newquist asked that consideration of adding a full time IT position be added to this agenda. He advised that this subject was reviewed at Director Newquist's request last year, and costs have actually gone down some since the last time it was discussed. Overall, continuing to provide IT services as needed would cost the District far less than hiring a full time employee. He advised that the District's IT consultant Don Cobb performs general hardware and server maintenance including oversight on the CAD system and Mobile Data Terminals (MDTs), and Geri Ventura picks up software issues and day to day problem solving which helps keeps costs down.

Chief Wallace did advise the Board that we are installing three new servers next month, so we should expect to see a sizable increase in Mr. Cobb's monthly billing for these installations.

Director Newquist advised that he suggested the addition of a full time IT position again because he felt there would be an increase in IT needs with the District taking on dispatching services for Carpinteria - Summerland. Chief Wallace advised that the new Communications Coordinator position will handle administration of the CAD system, but there will be no changes the District's overall computer structure.

The Board took no action.

9. Chief Wallace advised that Todd Edwards and Evan Skei were temporarily promoted to accommodate the Fire Marshal testing process. Jeff Villarreal and Richard Lauritson are being temporarily promoted to cover for Tom Van Homer who was injured on a structure fire. His absence is expected to continue for six months.

On a motion made by Director Venable, seconded by Director Newquist, the Board unanimously approved the temporary promotions for Todd Edwards and Jeff Villarreal to Captains, and Evan Skei and Richard Lauritson to Engineers.

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10. Chief Wallace advised that the economy has caused a slow down on the development process at the Miramar Hotel. The Fire District was slow to enforce vacant lot requirements because we believed that they were moving forward with development. We have since received confirmation that it will be delayed and have enforced the vacant building codes. All openings have been secured, including elevated buildings. Caruso and Associated asked for a delay in vegetation management enforcement because of the predicted rains, but they are working closely with the District to meet our requirements. Mr. Venable stated that they have done what they said they would do, and they have painted the plywood coverings to match the existing paint.

11. Mr. Manion reviewed the requirements of GASB45, and advised that the District approved prefunding post retirement benefits, utilizing PARS to manage the funds. He advised that a trust was established and has been funded in a low risk money market fund, however the Board needs to adopt an investment policy for these funds.

Anne Wimmer from Union Bank/High Mark reviewed the four different investment options available to the District, including conservative, moderately conservative, moderate and balanced moderate aggressive; conservative being the lowest rate of return, along with the lowest risk, and balanced moderate aggressive being the highest rate of return, with the highest risk. She advised that the Annual Required Contribution (ARC) goes down as the discount rate increases. She advised that an aggressive portfolio is generally determined by the amount of equities or stocks in the portfolio. A conservative portfolio may have 5%-20% stocks, where an aggressive portfolio would 50%-70%.

She advised that for each investment option, they have the choice to have an actively managed portfolio, or an indexed portfolio. She advised that the actively managed portfolios have outperformed the indexed portfolios, and recommended that the District utilize the actively managed option. Director Venable suggested that they utilize an option that is not highly risk oriented.

On a motion made by Director Venable, seconded by Director Newquist the Board unanimously approved utilizing a moderate portfolio, to invest using dollar cost averaging, and for the account to be actively managed.

Director Jensen left the meeting at 10:30.

12. Chief Wallace advised that we took a different approach at this year's workshop and hired a management consultant to do a management assessment including input from the ranks.

Ms. Browning advised that she met with the Chief Wallace and Chief McElwee in December to discuss the changes the District has gone through and to assist

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in preparing for the transition of taking on dispatch Carpinteria Summerland Fire.

She stated that she administered a climate survey determine temperature of the department. She advised that the issues that were brought up included leadership, communication, trust.

At the workshop, the officers and staff were able look ahead to work through the issues, and she saw increased trust levels develop.

She met with each leader individually and reviewed the input that was provided by the surveys and discussed their abilities and skill sets. After the retreat, she felt that there was an increase in communication effectiveness. She also saw an increased commitment from the team to support each other.

She advised that a strategic plan is in the future that will include a 5-7 year vision plan. One of the issues that will need to be addressed is succession planning. At this point, 60% of employees have 10 years left before retiring, and we need to prepare them to lead the team successfully.

The goal is for the communication process to continue to improve and to see a successful launch of the Carpinteria Fire dispatch along with continued growth with the Tea Fire rebuild.

Chief Wallace added that Ms. Browning also worked with Carpinteria-Summerland Fire District, which gave her input from both agencies on the dispatch issue. Chief Wallace advised that he appreciates the work that everyone did before the workshop and at the workshop and feels that the information flow has improved because of the process.

The Board took no action.

13. Fire Chief's Report

Chief Wallace reported on several issues including the following: Eucalyptus trees removal on East Valley Rd.; FDAC Annual Conference in Tahoe on April 22-24; Jackie Jenkins acceptance of the Communications Coordinator position; April 28 will be Pre Fire Season Media Day at Skofield Park; future implantation of tonable radios; and his planned Vacation 4/30-5/17.

The Board took no action.

14. Director Newquist asked to add a closed session to discuss the possibility of developing a volunteer community business/finance oversight committee, as he feels there is too much going on for the Board to properly review all of the issues that the District is currently dealing with. Mr. Manion advised that he is

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not aware of a reason that would make it appropriate for this subject to be in a closed session. Director Newquist then suggested that a Board member meet with Chief Wallace to discuss this and agendize this at a later date.

Mr. Manion suggested that the Board have a study session to review potential subcommittees and evaluate how the Board is dealing with District activities. Mr. Manion suggested adding an agenda item for the next meeting, to discuss possible topics for a future Board Workshop. Director Venable will work with Chief Wallace on this prior to having the actual Workshop.

Director Venable adjourned the meeting at 11:20 am.



SANTA BARBARA
4050 Calle Real, Suite 110
Santa Barbara, CA 93110
805.692.6921 Phone

April 16, 2010

Mr. Todd A. Amspoker, Esq.
Price, Postel & Parma, LLP
200 East Carrillo Street
Santa Barbara, California 93101

RE: Montecito Fire Protection District – Upper Hyde Road Design Services

Dear Mr. Amspoker:

Thank you for considering MNS Engineers, Inc. (MNS) to provide design services and the preparation of plans, specification and estimate for the improvements to the shared driveway known as Upper Hyde Road that extends north from 202 East Mountain Drive. Many of the homes along Upper Hyde Road were destroyed during the Tea Fire and owners must now meet current requirements for fire apparatus access prior to rebuilding. Previously, MNS has provided services for a rough-order-of-magnitude cost estimate for the project and evaluation of required right-of-way across the property at 202 East Mountain Drive.

Topographic and boundary mapping for the area was prepared by L.P. Cook for the property owners in December 2008 and October 2009. This mapping has been provided to MNS in AutoCad format. We also have been provided a road widening concept prepared by Mike Gones for the lower reach of Upper Hyde Road and some concept design work for the remaining reach of Upper Hyde Road. The concept requires extensive grading and retaining walls.

MNS is teaming with Fugro West as our subconsultant to provide geologic and geotechnical report and recommendations for the necessary grading and walls.

The project includes the design of a fire accessible private driveway of 16 or 18 foot paved width and 20 percent maximum profile grade for Upper Hyde Road from Mountain Drive to the location where the alignment splits near elevation 990. The length of this driveway is approximately 1,350 lineal feet.

The Montecito Fire Protection District (MFPD) would act as lead agency for the CEQA review and document preparation. The County of Santa Barbara would issue permits for grading and building construction.

Scope of Services

Task 1 – Preliminary Design

MNS will use the topographic mapping and previous conceptual design completed by others (L.P. Cook, Mike Gones, and Charlie Grant) as a starting point for our driveway design. Although we will use this work as much as feasible during our preliminary design, MNS proposes to prepare new plans based upon our own understanding and interpretation of site conditions.

The preliminary plans would include plan (1"=20') and profile for the proposed driveway improvements, typical sections, layout for retaining walls and design for our recommended drainage improvements along the driveway.

An estimate of probable construction cost would be prepared based upon the preliminary design. An outline of technical specification sections would be prepared based upon the preferred standard specifications either Caltrans Standard Specifications or the Standard Specifications for Public Works Construction.

Our subconsultant, Fugro West, would prepare geotechnical and geologic investigation for the grading and retaining walls. Their recommendation report will be the basis for our design of slope grading (cut and fill) and the retaining structures necessary to complete the project. Due to the tight project schedule, these recommendations may not be available to MNS until the final design phase.

Task 2 – Project Review and Community Meeting

MNS will meet with you and the MFPD staff as needed to review design progress and make decisions regarding elements of the project design. We anticipate that five meetings will be required for this purpose. Some of these meetings may include representatives from the Upper Hyde Community as appropriate.

MNS will provide the services of our design engineer to attend a meeting or workshop with the Upper Hyde community following the completion of preliminary design. We assume the Upper Hyde community or the MFPD would organize this community meeting.

Task 3 – Final Design, Detailing and PS&E Preparation

Following MFPD and community review of the preliminary project plans, MNS would revise the preliminary plans to reflect comments received and proceed with preparation of final construction plans and details. This would include preparation of structural details for the retaining walls, retaining wall profiles, pavement sections and drainage design. The final plans will be presented on ten 22"x34" drawing sheets.

The estimate of probable construction cost from Task 1 would be updated to reflect the scope of work shown in the final project plans.

To complete the PS&E package, project technical specifications and bid item descriptions would be prepared based upon the Caltrans Standard Specifications or the Standard Specifications for Public Works Construction as determined in Task 1. MNS will collaborate with your office during preparation of the remaining contractual provisions and the notice to contractors that would be included in the final PS&E package for bidding.

Following review by your office and the MFPD, the final PS&E package would be prepared incorporating comments received.

Task 4 – Prepare Assessment Map and Legal Descriptions

To support creation of the proposed Community Facilities District (CFD), MNS will prepare a CFD boundary map on 18"x26" sheets pursuant to the requirements of the Mello-Roos Community Facilities Act. This map would show individual parcels within the proposed district boundaries based upon record or assessors maps.

Legal descriptions would be prepared for recording driveway easements on the affected parcels. This proposal assumes that legal descriptions and associated exhibits would be required for seven parcels along the length of the driveway. Legal descriptions for 202 E. Mountain Drive would be prepared for both the permanent and temporary easements. The legal descriptions for the remaining parcels would be prepared only for the permanent easements assuming that the individual owners would allow incidental encroachment beyond the easements during construction through blanket rights of entry. This proposal assumes that recent preliminary title reports for the affected properties are provided to us through your office and the record map currently being prepared by L.P. Cook is accepted and recorded with the County Surveyor.

Scope Exclusions

Our scope of services specifically excludes the following:

1. Special studies required to support the CEQA environmental document and additional effort required to support preparation of an EIR. We assume that the project will be eligible for a negative declaration or a mitigated negative declaration under CEQA.
2. CEQA review completed using the County of Santa Barbara as lead agency.
3. Unforeseen conditions discovered during the geotechnical and geologic investigation and the repair of previously placed undocumented fill slopes that are likely to result in future settlement and cracking of the completed roadway surfacing.
4. The design of driveway improvements above the existing East/West driveway fork near elevation 990 as depicted on the L.P. Cook survey and the design of side connections to the individual parcels.
5. Post construction storm water mitigation and best management practices.
6. Preparation of formal construction phase storm water pollution prevention plan (SWPPP) and notice of intent (NOI) to the Regional Water Quality Control Board. If required, these tasks would be deferred to the construction contractor as a bid item.

Deliverables

1. Preliminary plans for driveway improvements for review by MFPD staff and residents at a community meeting. Three full size sets of preliminary plans would be submitted along with PDF electronic images of these plan sheets.

2. Geotechnical and geology report.
3. Draft plan, specification and estimate (PS&E) package for review by MFPD staff. Three full size sets of preliminary plans, two copies of the draft specification, and one copy of the estimate would be submitted along with PDF electronic images of these documents.
4. Final PS&E package reflecting comments from MFPD staff ready for bidding and construction. The deliverable would include a single set of reproducible plans with engineers stamp and signature, unbound project bid specifications with engineers stamp and signature, and estimate. PDF copies of these documents (without signature) would also be provided electronically.
5. Boundary Map for Community Facilities District.
6. Easement legal descriptions.

Schedule

Assuming a start date of April 21, we would complete the project along the following schedule:

1. Deliver preliminary plans (50% complete) for review on May 14.
2. Deliver draft PS&E package (95% complete) for one week MFPD review on June 18
3. Deliver final PS&E package (100% complete) for bidding on July 2.

This schedule does not reflect additional time required for others to complete the CEQA documents which may delay the draft and final PS&E deliverables.

Compensation

Our services would be provided on a time and materials basis in accordance with our July 1, 2009 Standard Schedule of Fees. Estimated fee for the Design and PS&E package as described in this letter is \$114,300. Provided below is a break-down of this estimated fee by task.

Task	Fee Estimate
Preliminary Design	\$ 29,500
Project Review and Community Meeting	5,500
Final Design, Detailing and PS&E	50,500
Boundary Map and Legal Descriptions	7,500
Geotechnical and Geology Subconsultant (Fugro West)	21,300
Total Fee	\$114,300

Mr. Todd A. Amspoker, Esq.
April 16, 2010
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Please contact me at 805.692.6921 if you have any questions regarding this proposal.

Sincerely,

MNS ENGINEERS, INC.



Greg Knudson
Supervising Engineer

GDK/

Encl. MNS 2009 Standard Schedule of Fees

P:\2010 PROJ\100002 UPPER HYDE ROAD ASSESSMENT DISTRICT - SUB\UPPER HYDE PROPOSAL\2009-04-09 DESIGN SERVICES PROPOSAL\MFPD UPPER HYDE DESIGN PROPOSAL 9APRIL2010.DOC



STANDARD SCHEDULE OF FEES

Effective July 1, 2009 through June 30, 2010

Project Management

Principal-In-Charge	\$200
Senior Project Manager	190
Project Manager	175
Project Coordinator	95

Engineering

Principal Engineer	\$185
Supervising Engineer	165
Senior Project Engineer	150
Project Engineer	130
Associate Engineer	115
Assistant Engineer	100

Construction Management

Principal Construction Manager	\$185
Senior Construction Manager/RE	160
Resident Engineer	155
Construction Manager	150
Structure Representative	150
Assistant Resident Engineer	130
Construction Inspector	105
Construction Inspector (PW)	125
Office Engineer	105

Municipal Services

City Engineer	\$160
Deputy City Engineer	145
Assistant City Engineer	130
Plan Check Engineer	110
Permit Engineer	100
City Inspector	95
Planning Director	150
Senior City Planner	130
Grant Administrator	110
Assistant Planner	100

Geographic Information Systems (GIS)

GIS Manager	\$160
Senior GIS Analyst	135
GIS Analyst	110
Senior GIS Technician	95
GIS Technician	85

Direct Expenses:

Use of outside consultants as well as copies, blueprints, survey stakes, monuments, computer plots, telephone, travel (out of area) and all similar charges directly connected with the work will be charged at cost plus fifteen percent (15%). Mileage will be charged at \$.585 per mile. Expert Witness services will be charged at three (3) times listed rate and will include all time for research, deposition, court appearance and expert testimony.

Prevailing Wage Rates:

Rates shown do not apply to projects subject to federal or state prevailing wage law. Prevailing wage rates for specific staff classifications are indicated by (PW). For Surveying services, a 2-person crew rate is \$235 for prevailing wage.

Surveying

Principal Surveyor	\$180
Supervising Surveyor	160
Senior Project Surveyor	140
Project Surveyor	130
Senior Land Title Analyst	125
Assistant Project Surveyor	115
Party Chief (PW)	125
Chainperson (PW)	110
Survey Technician	70

Planning Services

Principal Planner	\$150
Senior Planner	130
Project Planner	110
Assistant Planner	100
Planning Technician	85

Geotechnical Engineering/Material Testing

Principal Geotechnical Engineer/Geologist	\$180
Supervising Geotechnical Engineer/Geologist	150
Senior Geotechnical Engineer/Geologist	130
Project Geotechnical Engineer/Geologist	115
Staff Geotechnical Engineer/Geologist	105
Senior Field Technician (PW)	105
Special Inspector	105
Field Technician	85
Laboratory Technician	80

Technical Support

CADD Manager	\$135
Visualization Technician	125
Supervising CADD/Engineering Technician	105
Senior CADD/Engineering Technician	95
CADD/Engineering Technician	85



There is no substitute for experience.

April 13, 2010

Mr. Kevin Wallace
Fire Chief
Montecito Fire Protection District
595 San Ysidro Road
Santa Barbara, CA 93108

Re: Proposal for Financial Advisory Services

Dear Mr. Wallace:

We are pleased to submit this proposal to the Montecito Fire Protection District (the "District") for financial advisory services for the formation of a community facilities district ("CFD") to fund improvements for Upper Hyde Road (the "Project").

Scope of Services

The following is our proposed scope of service for this Project:

A. District Formation Services.

1. Preliminary Survey

We will confer with District staff, bond counsel, consultants, and other interested parties for the purpose of making a preliminary survey of the Project and to assist in the formulation of a coordinated plan to form a CFD and fund the Project.

2. Attendance at Meetings/Work Sessions

We will attend one meeting or work sessions concerning the Project and be available to attend additional meetings to explain issues related to the CFD formation process and related topics.

3. Consultation/Advice

We will be available to the District for consultation and advice.

4. Review and Comment on Formation Documents

We will assist in the development, review, and analysis of various formation documents. These documents include Rate and Method of Apportionment, CFD Capacity Analysis and CFD Report, Resolution of Intention, Petition and other legal documents.

5. Project Management

Under direction of District staff, we will act to coordinate formation process by scheduling and coordinating meetings, preparing agendas and notes, arranging for conference calls and other actions to facilitate the CFD formation process.

B. Debt Issuance Services.

We will assume primary responsibility for assisting the District in coordinating the planning and execution of the debt issue relating to the Project. Insofar as we are providing services which are rendered only to the District, the overall coordination of the financing will be such as to minimize the costs of the transaction coincident with maximizing the District's financing flexibility and capital market access. Our proposed debt issuance services may include, but shall not be limited to, the following:

- Establish the Financing Objectives
- Develop the Financing Schedule
- Coordinate the selection of an Underwriter
- Monitor the Transaction Process
- Review the Official Statement, both preliminary and final
- Procure and Coordinate Additional Service Providers
- Provide Financial Advice to the District Relating to Financing Documents
- Compute Sizing and Design Structure of the Debt Issue
- Conduct Market Analysis and Evaluate Timing of Market Entry
- Recommend Award of Debt Issuance
- Provide Pre-Closing and Closing Assistance

Specifically, we will:

1. Establish the Financing Objectives.

At the onset of the financing transaction process for the Project, the Consultant will review the District's financing needs and in conjunction with the District's management, outline the objectives of the financing transaction to be undertaken and its proposed form.

Unless previously determined, we will recommend the method of sale of debt and outline the steps required to achieve efficient market access.

2. Develop the Financing Timetable.

We will take the lead role in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

3. Coordinate the Selection of an Underwriter.

At the request of the District, we will prepare a Request for Proposal to solicit proposals from recommended firms to underwrite the issuance of CFD Bonds.

4. Monitor the Transaction Process.

We will have primary responsibility for the successful implementation of the financing strategy and timetable that is adopted for the debt issue relating to the Project. We will coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and will monitor the progress of all activities leading to the sale of debt. We will prepare the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the financing transaction.

5. Review the Official Statement.

a. SEC, MSRB, and GFOA guidelines encourage full disclosure so that potential investors have sufficient data to analyze each proposed financing. Upon direction of the District, we will review the official statement for the debt issue to insure that the District's official statement is compiled in a manner consistent with industry standards, typically including the following matters:

- Legal Authority for the Financing
- Security for the Financing
- Restrictions on Additional Financings
- Purpose and Funds for which the Financing is Being Issued
- Outstanding Financings
- Risk Factors
- Planned Future Financings
- Economic Base
- Legal Opinions Regarding Tax Exemption
- Such Other Matters as the Context May Require.

b. We will post the Official Statement on an Internet web site.

6. Procure and Coordinate Additional Service Providers.

We may act as District's representative in procuring the services of financial printers for the official statement and related documents, and for the printing of any securities. In addition, we may act as the District's representative in procuring the services of trustees, fiscal agents, feasibility consultants, or other professionals, if the District directs.

7. Provide Financial Advice to the District Relating to Financing Documents.

Simultaneous with assisting in the review of official statements for the debt issue relating to the Project, we will assist the managing underwriters, bond counsel and/or other legal advisors in the drafting of the respective financing resolutions, notices and other legal documents. In this regard, we will monitor document preparation for a consistent and accurate presentation of the recommended business terms and financing structure of the debt issue relating to the Project, it being specifically understood however that our services will in no manner be construed as our engagement in the practice of law.

8. Compute Sizing and Design Structure of Debt Issue.

We will work with the District's staff to design a financing structure for the debt issue relating to the Project that is consistent with the District's objectives, that coordinates each transaction with outstanding issues and that reflects current conditions in the capital markets.

9. Conduct Market Analysis and Evaluate Timing of Market Entry.

We will provide regular summaries of current municipal market conditions, trends in the market and how these may favorably or unfavorably affect the District's proposed financing. We will perform a thorough evaluation of market conditions preceding the negotiation of the terms of the sale of debt and will assist the District with the negotiation of final issue structure, interest rates, interest cost, reoffering terms and gross underwriting spread and provide a recommendation on acceptance or rejection of the offer to purchase the debt. This assistance and evaluation will focus on the following areas as determinants of interest cost:

- Size of financing
- Sources and uses of funds
- Terms and maturities of the debt issue
- Investment of debt issue proceeds
- Distribution mix among institutional and retail purchasers
- Interest rate, reoffering terms and underwriting discount with comparable issues
- Redemption provisions

10. Recommend Award of Debt Issuance.

Based upon activities outlined in above, we will recommend accepting or rejecting offers to purchase the debt issue. If the District elects to award the debt issue, we will instruct all parties and help facilitate the actions required to formally consummate the award.

11. Provide Pre-Closing and Closing Activities.

We will assist in arranging for the closing of each financing. We will assist counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of bond printing, qualification of issues for book-entry status, signing and final delivery of the securities and settlement of the costs of issuance.

Costs and Expenses

We are proposing a not to exceed fee of \$24,500, which would include attending two meetings, plus out of pocket expenses not to exceed \$1,500. Additional meetings will be billed at \$1,500 per meeting. If the CFD formation and bond issuance is not completed by June 30, 2011, we reserve the right to re-negotiate our fee to be compensated for additional time incurred. Payment of our fees will be contingent on and payable at the closing of the debt issue undertaken to finance the Project.

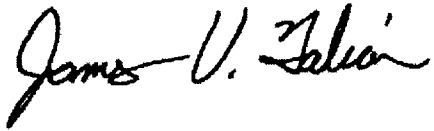
The table below reflects our hourly rates in effect as of the date of this proposal.

<u>Personnel</u>	<u>Hourly Rate</u>
Executive Officers	\$300.00
Principals	\$290.00
Senior Vice President.....	\$275.00
Vice Presidents	\$225.00
Assistant Vice President.....	\$195.00
Senior Associate	\$150.00
Associate	\$125.00
Analyst	\$85.00
Administrative Assistants.....	\$65.00
Clerical.....	\$35.00

We look forward to the opportunity to discuss this letter further and begin our work for the District. If you have any questions, please feel free to call. If this scope and cost are agreeable to the District, you may indicate acceptance by signature in the blank provided below.

Sincerely

FIELDMAN, ROLAPP & ASSOCIATES

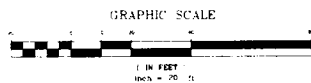
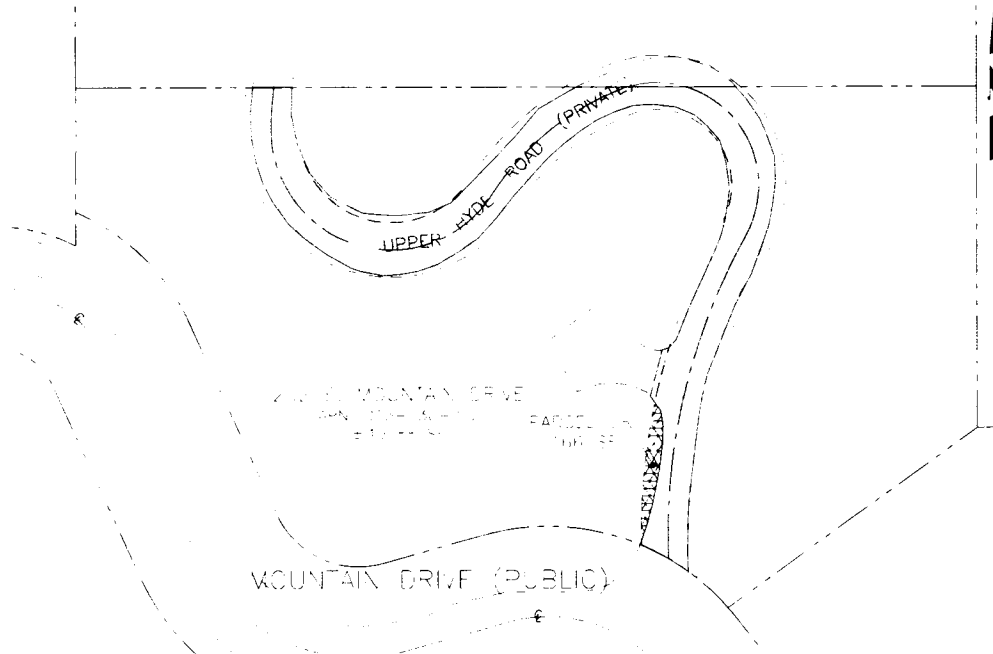
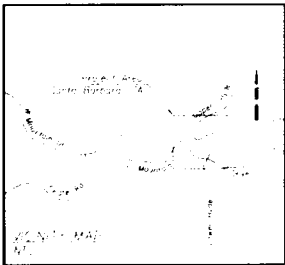


James V. Fabian
Principal

Accepted this _____ day of _____, 2010

MONTECITO FIRE PROTECTION DISTRICT

By: _____
Its: _____



CENTERLINE OF EXISTING 18' EASEMENT	---
LIMITS OF EXISTING 18' EASEMENT	- - - - -
PARCEL BOUNDARY	---
EXISTING DRIVEWAY PAVEMENT	▭
LANDSCAPE AREA WITH IN 18' EASEMENT	▨

TABLE OF PROPERTY AREAS

PROPERTY AREA (NET OF PUBLIC ROAD)	±40088 S.F.
EXISTING 18' EASEMENT	±8220 S.F.
EXISTING PAVED DRIVEWAY	±5050 S.F.
LANDSCAPE AREA WITHIN EXISTING 18' EASEMENT	±166 S.F.

TABLE OF ESTIMATED PARCEL AREAS

EASEMENT PARCEL	DESCRIPTION	OPTION 1	OPTION 2	OPTION 3
'A'	PROPOSED DRIVEWAY EASEMENT	317 S.F.	-	-
'B'	PROPOSED DRIVEWAY EASEMENT	518 S.F.	872 S.F.	968 S.F.
'D'	PROPOSED DRIVEWAY EASEMENT	571 S.F.	571 S.F.	571 S.F.
'E'	EXISTING EASEMENT WITHIN PROPOSED EASEMENT	6220 S.F.	6220 S.F.	6074 S.F.
TOTAL		7628 S.F.	7663 S.F.	7613 S.F.
T.C.E. 1	TEMPORARY CONSTRUCTION EASEMENT	876 S.F.	894 S.F.	864 S.F.
T.C.E. 2	TEMPORARY CONSTRUCTION EASEMENT	364 S.F.	364 S.F.	364 S.F.
T.C.E. 3	TEMPORARY CONSTRUCTION EASEMENT	718 S.F.	723 S.F.	723 S.F.
TOTAL		1958 S.F.	1984 S.F.	1951 S.F.

NOTES:

1. THIS EXHIBIT DOES NOT CONSTITUTE A BOUNDARY SURVEY OR A MAP OF EXISTING EASEMENTS, AND IS INTENDED ONLY FOR THE PURPOSE OF PRELIMINARY WORK REQUIRED FOR EASEMENT APPRAISAL AND VALUATION ESTIMATES FOR A POTENTIAL EASEMENT ACQUISITION.
2. THIS EXHIBIT IS PREPARED FROM COMPILED DATA INCLUDING LP COOK SURVEY MAPPING OF OCTOBER 2008, EASEMENT CENTERLINE PINS PLACED BY LP COOK, AND FIELD MEASUREMENTS PERFORMED BY MNS ENGINEERS, INC.
3. EASEMENTS IDENTIFIED ON THIS EXHIBIT ARE BASED UPON FIELD EVALUATION AND BEST CURRENT JUDGMENT OF MNS ENGINEERS, INC. OF THE AREA REQUIRED FOR CONSTRUCTION OF 18 FOOT PAVED DRIVEWAY, RETAINING/SLOUGH WALLS, DRAINAGE SWALES, BERMS AND CONFORMS.
4. FINAL EASEMENT PARCEL BOUNDARIES AND AREAS WILL BE DETERMINED BASED UPON BOUNDARY MAPPING AND CONSTRUCTION PLANS.
5. FOR OPTIONS 1, 2, AND 3 SEE SHEETS 2 TO 4

**PRELIMINARY EASEMENT EXHIBIT
UPPER HYDE ROAD
EXISTING EASEMENT AND PAVED AREAS
202 EAST MOUNTAIN DRIVE**

• FEBRUARY 2010 •
REVISED MARCH 11, 2010

PREPARED AT THE REQUEST OF TODD
AMSPOKER; PRICE POSTEL & PARMA

PREPARED BY:
MNS ENGINEERS • SUPERVISORS • CONSTRUCTION MANAGERS
Quality Infrastructure Services
ENGINEERS, INC.
4022 CALLE REAL, SANTA BARBARA, CA 93110
TELEPHONE (805) 962-4817 FAX (805) 962-4817
WWW.MNS-CA.COM

C. WOLLERT R.C.E. 72953

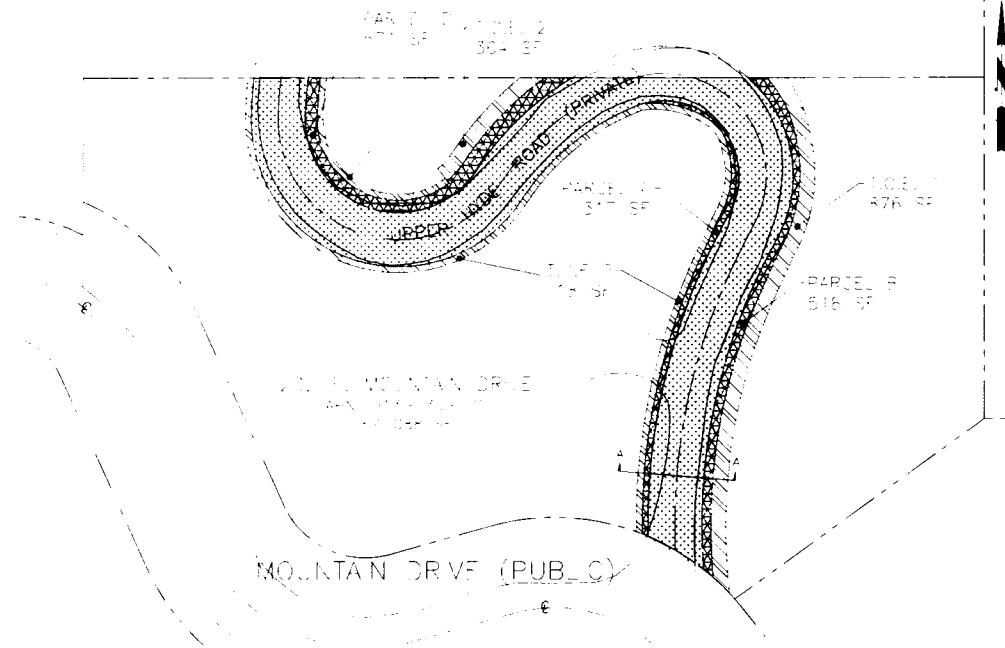
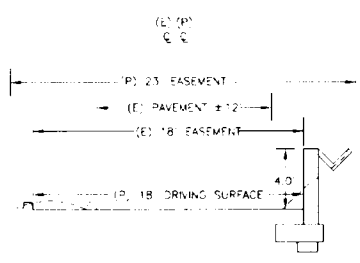


EXHIBIT LEGEND

- CENTER LINE OF PROPOSED EASEMENT
- CENTERLINE OF EXISTING 18' EASEMENT
- LIMITS OF EXISTING 18' EASEMENT
- EXISTING EDGE OF PAVEMENT
- PARCEL BOUNDARY
- PROPOSED MFPD EASEMENT AREA
- PROPOSED EASEMENT WITHIN EX. 18' EASEMENT
- PROPOSED EASEMENT AREA BEYOND 18' EASEMENT
- TEMPORARY CONSTRUCTION EASEMENT

TABLE OF ESTIMATED PARCEL AREAS

EASEMENT PARCEL	DESCRIPTION	AREA	TOTALS
'A'	PROPOSED DRIVEWAY EASEMENT	317 S.F.	
'B'	PROPOSED DRIVEWAY EASEMENT	518 S.F.	
'D'	PROPOSED DRIVEWAY EASEMENT	571 S.F.	
'E'	EXISTING EASEMENT WITHIN PROPOSED EASEMENT	6220 S.F.	
TOTAL			7826 S.F.
T.C.E. 1	TEMPORARY CONSTRUCTION EASEMENT	876 S.F.	
T.C.E. 2	TEMPORARY CONSTRUCTION EASEMENT	384 S.F.	
T.C.E. 3	TEMPORARY CONSTRUCTION EASEMENT	718 S.F.	
TOTAL			1954 S.F.



NOTES:

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4. FINAL EASEMENT PARCEL BOUNDARIES AND AREAS WILL BE DETERMINED BASED UPON BOUNDARY MAPPING AND CONSTRUCTION PLANS.

PREPARED AT THE REQUEST OF TODD AMSPOKER; PRICE POSTEL & PARMA

PREPARED BY:
MNS ENGINEERS • SUPERVISORS • CONSTRUCTION MANAGERS
Quality Infrastructure Services
 ENGINEERS, INC.
 4050 CALLE REAL, SANTA BARBARA, CA 93103
 TELEPHONE (805) 830-4921 • FAX (805) 830-4987
 WWW.MNS-ENGINEERS.COM

C. WOLLERT R.C.E. 72953

**PRELIMINARY EASEMENT EXHIBIT
 UPPER HYDE ROAD
 OPTION 1**

202 EAST MOUNTAIN DRIVE
 • FEBRUARY 2010 •
 REVISED MARCH 11, 2010

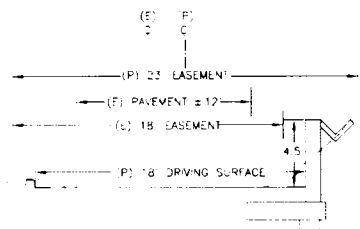
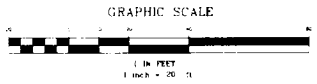
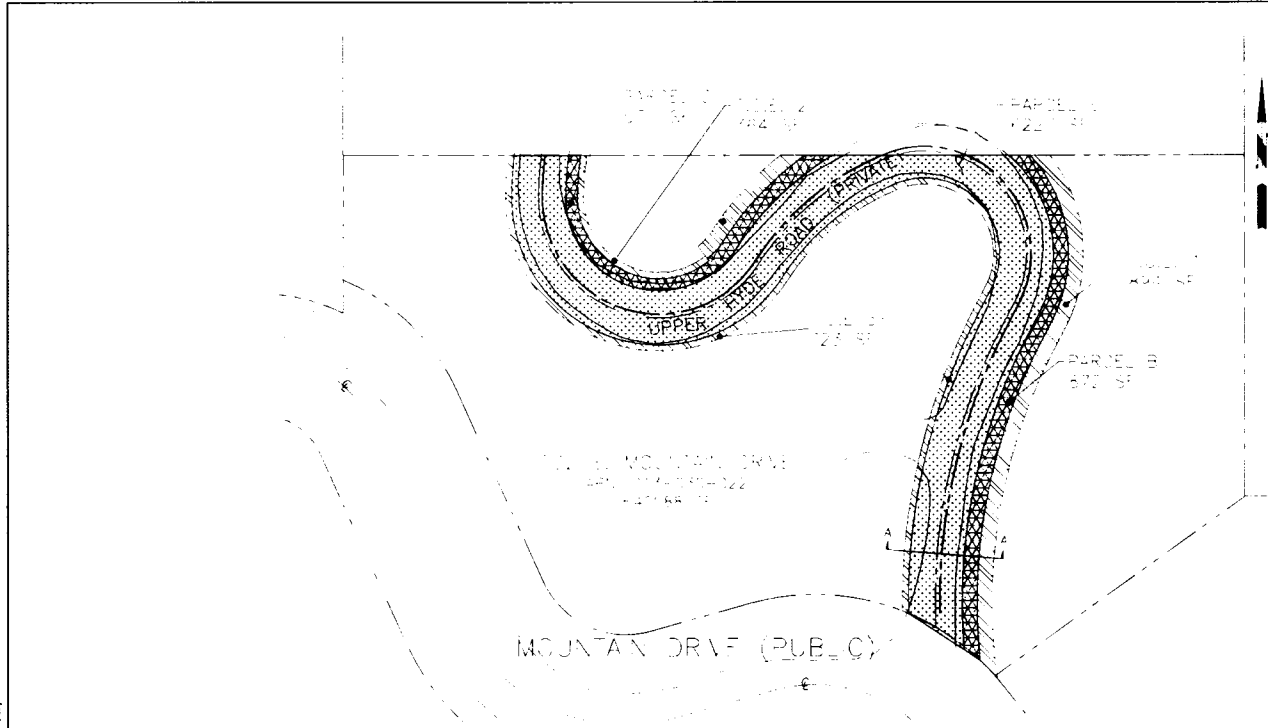


EXHIBIT LEGEND

- CENTER LINE OF PROPOSED EASEMENT
- CENTERLINE OF EXISTING 18' EASEMENT
- LIMITS OF EXISTING 18' EASEMENT
- EXISTING EDGE OF PAVEMENT
- PARCEL BOUNDARY
- PROPOSED MFPD EASEMENT AREA
- PROPOSED EASEMENT WITHIN EX. 18' EASEMENT
- PROPOSED EASEMENT AREA BEYOND EX. 18' EASEMENT
- TEMPORARY CONSTRUCTION EASEMENT

TABLE OF ESTIMATED PARCEL AREAS

EASEMENT PARCEL	DESCRIPTION	AREA	TOTALS
'B'	PROPOSED DRIVEWAY EASEMENT	872 S.F.	
'C'	PROPOSED DRIVEWAY EASEMENT	571 S.F.	
'E'	EXISTING EASEMENT WITHIN PROPOSED EASEMENT	6220 S.F.	
TOTAL			7670 S.F.
T.C.E.1	TEMPORARY CONSTRUCTION EASEMENT	894 S.F.	
T.C.E.2	TEMPORARY CONSTRUCTION EASEMENT	384 S.F.	
T.C.E.3	TEMPORARY CONSTRUCTION EASEMENT	725 S.F.	
TOTAL			1984 S.F.

NOTES:

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4. FINAL EASEMENT PARCEL BOUNDARIES AND AREAS WILL BE DETERMINED BASED UPON BOUNDARY MAPPING AND CONSTRUCTION PLANS.

**PRELIMINARY EASEMENT EXHIBIT
UPPER HYDE ROAD
OPTION 2**

202 EAST MOUNTAIN DRIVE

• MARCH 2010 •
REVISED MARCH 11, 2010

PREPARED AT THE REQUEST OF TODD
AMSPOKER; PRICE POSTEL & PARMA

PREPARED BY:
MNS ENGINEERS • SURVEYORS • CONSTRUCTION MANAGERS
Quality Infrastructure Services
1400 CALLE REAL, SANTA BARBARA, CA 93101
TELEPHONE (805) 962-1921 FAX (805) 962-1921

C. WOLLERT R.C.E. 72953

SUMMARY OF DESITTER PROPERTY APPRAISALS AND ENGINEERING ANALYSES

Option No.	Location	Appraisal	Construction Costs	Cost to move existing berm and landscaping	Total cost	Projected wall height on east side of road
1	Approximately 2 feet west of existing 18' easement	\$20,000	\$ 94,000	\$3,300	\$117,300	4.5 feet
2	Commences at west line of existing 18' easement	\$ 9,200	\$105,000	\$3,300	\$117,500	5.5 feet
3	Commences at existing berm, therefore not requiring existing berm and landscaping to be relocated.	\$ 9,600	\$125,000	\$0	\$135,700	9 feet

PARS

Mitch Barker, Executive Vice President

mitch.barker@pars.org
 800.540.6369 ext. 116

PARS
 Post Retirement Healthcare Funding Trust
 Program for the
 Montecito Fire Protection District



Union Bank / HighMark Capital Management

Anne Wimmer, Vice President/Senior Portfolio Manager
 anne.wimmer@unionbank.com
 310.550.6457

Andrew Brown, Senior Portfolio Manager

andrew.brown@unionbank.com
 415.705.7605

Actuarial Results

We have received the actuarial reports prepared by AON Consulting dated April 28, 2008 with a valuation date of July 1, 2007. In the tables below, we have summarized the results and projected future trust asset levels at various contribution levels.

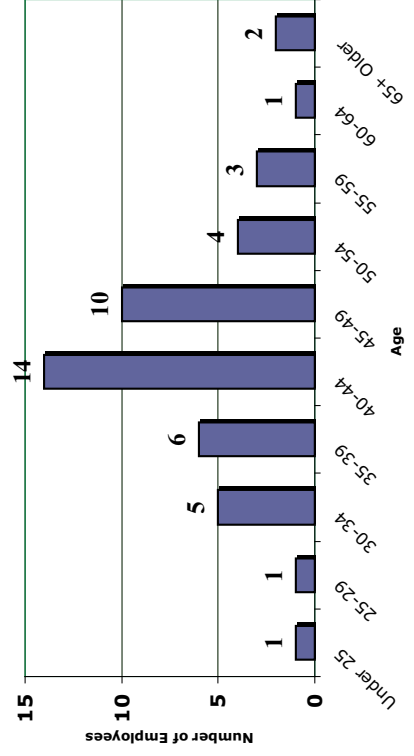
Demographic Study

	July 1, 2007
Active Employees	47
Retirees	31
Plan Members	78
Average Active Employee Age	44.9
Average Active Employee Service	13.1



Actuarial Results (continued)

Active Age Distribution



Actuarial Results (continued)

Financial Summary

5.00% Discount Assumption (Pay-As-You-Go)		Valuation Date: July 1, 2007		
Amortization Period		30 years	20 years	10 years
Present Value of Future Benefits (PVFB)		\$21,259,000	\$21,259,000	\$21,259,000
Actuarial Accrued Liability (AAL)		\$16,827,000	\$16,827,000	\$16,827,000
Unfunded Actuarial Accrued Liability (UAAL)		\$16,827,000	\$16,827,000	\$16,827,000
Normal Cost		\$439,000	\$439,000	\$439,000
Annual Required Contribution (ARC)		\$1,181,000	\$1,460,000	\$2,305,000
Annual Benefit Payments (Pay-as-you-Go)		\$335,000	\$335,000	\$335,000



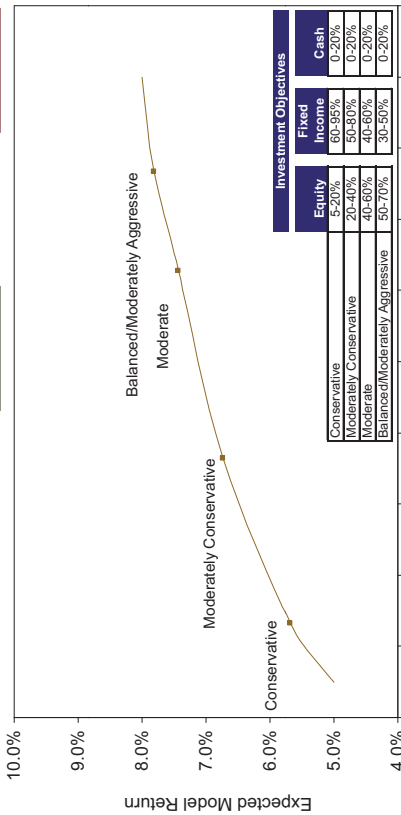
Actuarial Results (continued)

Financial Summary

7.75% Discount Assumption (Pre-Funding)		Valuation Date: July 1, 2007		
Amortization Period		30 years	20 years	10 years
Present Value of Future Benefits (PVFB)		\$12,681,000	\$12,681,000	\$12,681,000
Actuarial Accrued Liability (AAL)		\$10,782,000	\$10,782,000	\$10,782,000
Unfunded Actuarial Accrued Liability (UAAL)		\$10,782,000	\$10,782,000	\$10,782,000
Normal Cost		\$229,000	\$229,000	\$229,000
Annual Required Contribution (ARC)		\$898,000	\$1,066,000	\$1,600,000
Annual Benefit Payments (Pay-as-you-Go)		\$335,000	\$335,000	\$335,000

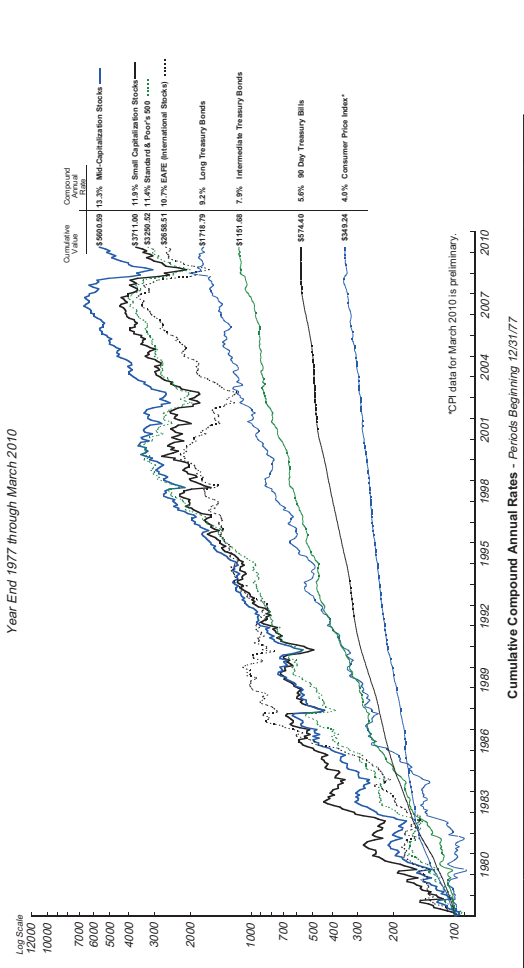


Efficient Frontier:



Each Investment Objective is a hypothetical construct only and does not reflect actual investment decisions or recommendations. Past performance is no indication of future results. Please refer to "Disclosures" page for important disclosures.

Wealth Indices of Selected Investments



Source: Standard & Poor's, Compustat, Right Link, Inc., Russell Investments, Citicorp, Barron's, Morning Star, Bank of America, Bank of America Merrill Lynch, Citigroup, and Company. This information provided herein was compiled from sources believed to be reliable. It is intended for illustrative purposes only and is not intended to constitute an offer of insurance or any other financial product. The information is subject to the terms and conditions at www.cranidall.com. Under no circumstances may this illustration be copied, reproduced or retransmitted in whole or in part including the data contained herein, without prior written permission.



Vision. Discipline. Results.™

WHY THE PARS DIVERSIFIED

MODERATE PORTFOLIO?

Comprehensive Investment Solution HighMark's diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our mutual fund research team utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We've set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

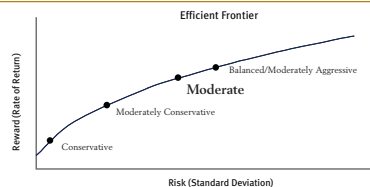
The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PARS Diversified Portfolios - Moderate

As of December 31, 2009

INVESTMENT OBJECTIVE

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION - MODERATE PORTFOLIO Strategic Range Policy Tactical Equity 40-60% 50% 53% Fixed Income 40-60% 45% 42% Cash 0-20% 5% 5%

ANNUALIZED TOTAL RETURNS

HighMark Plus Current Quarter* 3.50% Blended Benchmark** 2.92% Year To Date* 21.47% Blended Benchmark** 16.01% 1 Year 21.47% Blended Benchmark** 16.01% 2 Year 3.21% Blended Benchmark** 2.71% 3 Year -0.27% Blended Benchmark** 0.16% 4 Year 1.33% Blended Benchmark** 2.53% Inception To Date (63-Mos.) -3.92% Blended Benchmark** 3.56%

ANNUAL RETURNS

HighMark Plus 2005 6.08% 2006 8.83% 2007 5.88% 2008 22.88% 2009 21.47%

PORTFOLIO FACTS

HighMark Plus Inception date 10/2004 No. of Funds in Portfolio 17

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



Vision. Discipline. Results.™

WHY THE PARS DIVERSIFIED

MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution HighMark's diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our mutual fund research team utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We've set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

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Risk Management

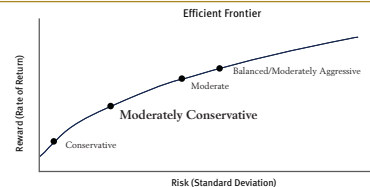
The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

PARS Diversified Portfolios - Moderately Conservative

As of December 31, 2009

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION - MODERATELY CONSERVATIVE PORTFOLIO Strategic Range Policy Tactical Equity 20-40% 30% 33% Fixed Income 50-80% 65% 61% Cash 0-20% 5% 6%

ANNUALIZED TOTAL RETURNS

HighMark Plus Current Quarter* 2.24% Blended Benchmark** 1.83% Year To Date* 17.64% Blended Benchmark** 11.57% 1 Year 17.64% Blended Benchmark** 11.57% 2 Year -0.22% Blended Benchmark** 0.40% 3 Year 2.00% Blended Benchmark** 2.38% 4 Year 3.42% Blended Benchmark** 3.68% Inception To Date (63-Mos.) 4.59% Blended Benchmark** 4.00%

ANNUAL RETURNS

HighMark Plus 2005 5.51% 2006 7.79% 2007 6.59% 2008 15.37% 2009 17.64%

PORTFOLIO FACTS

HighMark Plus Inception date 10/2004 No. of Funds in Portfolio 17

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



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ABOUT THE ADVISER

HighMark Capital Management, Inc. (HighMark), the adviser to HighMark Funds, has over 90 years of institutional money management experience with more than \$16 billion in assets under management. HighMark has a long-term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA Senior Portfolio Manager Investment Experience: 17 Years HighMark Tenure: 12 Years Education: MBA, University of Southern California; BA, University of Southern California

Tom Cheo

Senior Portfolio Manager Investment Experience: 29 Years HighMark Tenure: 9 Years Education: BA, Boston University

Ahmed Khatib, CFP

Portfolio Manager Investment Experience: 6 Years HighMark Tenure: 3 Years Education: MBA, University of California, Irvine; BA, University of California, San Diego

Mike Ladd, CFA

Senior Portfolio Manager Investment Experience: 16 Years HighMark Tenure: 1 Year Education: BA, University of Oklahoma; BA, Oklahoma City University

Anne Wimmer, CFA

Senior Portfolio Manager Investment Experience: 22 Years HighMark Tenure: 2 Years Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 8 Average Years of Experience: 24 Average Tenure (Years): 13

Manager Review Committee

Number of Members: 11 Average Years of Experience: 16 Average Tenure (Years): 8

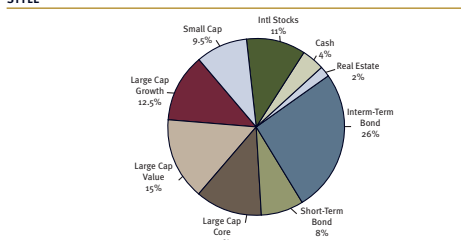
PARS Diversified Portfolios - Balanced/Moderately Aggressive

As of December 31, 2009

SAMPLE HOLDINGS

HighMark Plus Davis NY Venture Fund Eaton Vance Large Cap Value T. Rowe Price Growth Stock T. Rowe Price New Horizons HighMark International Fund HighMark Bond Vanguard Short-Term Corp Adm Lazard Emerging Markets Instl Dodge & Cox International Stock MFS International Growth PIMCO Total Return Rainer Large Cap Growth Columbia Small Cap Value First American Real Estate Fund

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria. Composites are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Balanced/Moderately Aggressive active and passive objectives and do not reflect the deduction of investment advisory fees, custody fees or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting. Fees charged are at the discretion of HighMark Capital Management, Inc. and Union Bank & N.A. (Union Bank) investment advisory fees are described in Part II of HighMark's Form ADV. An account's return will be reduced by investment advisory fees and any other expenses that may be incurred in the management of an account. The HighMark Capital Advisors (HCA) standard management fee schedule is 1.00% annually. Assuming an investment for five years at a 5% annual total return, and an annual fee rate of 1.00% deducted from the assets at market value at the end of each year, a \$10 million initial value would grow to \$12.14 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The unmanaged Barclays Capital (BC) US Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year US Corporate & Government Index tracks the bond performance of the ML US Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month US Treasury Bill. Individual account management and construction will vary depending on each client's investment needs and objectives including liquidity needs, tax situation, risk tolerance, and security restrictions. There can be no guarantee that this or any investment strategy will achieve its objective. Past performance does not guarantee future results. Securities investments involve risk, including the possible loss of the principal amount invested. Investments are not deposits of the adviser's parent or any of the adviser's affiliates, and are not FDIC insured. HighMark is a wholly owned subsidiary of Union Bank and manages institutional separate account portfolios for a wide variety of entities. It also serves as investment adviser for mutual funds and other types of funds, and sub-advises certain Union Bank collective funds. Union Bank, a subsidiary of UnionBank/Cit Corporation, provides certain services to HighMark and is compensated for these services.



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Portfolio Manager Investment Experience: 6 Years HighMark Tenure: 3 Years Education: MBA, University of California, Irvine; BA, University of California, San Diego

Mike Ladd, CFA

Senior Portfolio Manager Investment Experience: 16 Years HighMark Tenure: 1 Year Education: MBA, University of Oklahoma; BA, Oklahoma City University

Anne Wimmer, CFA

Senior Portfolio Manager Investment Experience: 22 Years HighMark Tenure: 2 Years Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 8 Average Years of Experience: 24 Average Tenure (Years): 13

Manager Review Committee

Number of Members: 11 Average Years of Experience: 16 Average Tenure (Years): 8

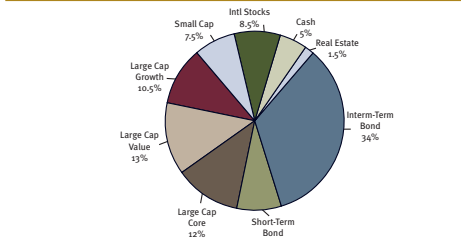
PARS Diversified Portfolios - Moderate

As of December 31, 2009

SAMPLE HOLDINGS

HighMark Plus Davis NY Venture Fund Eaton Vance Large Cap Value HighMark Large Cap Value Rainer Large Cap Growth T. Rowe Price Growth Stock T. Rowe Price New Horizons HighMark International Fund HighMark Bond Vanguard Short-Term Corp Adm Lazard Emerging Markets Instl PIMCO Total Return MFS International Growth Dodge & Cox International Stock Manning & Napier Equity Fund First American Real Estate Fund

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria. Composites are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative and passive objectives and do not reflect the deduction of investment advisory fees, custody fees or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting. Fees charged are at the discretion of HighMark Capital Management, Inc. and Union Bank & N.A. (Union Bank) investment advisory fees are described in Part II of HighMark's Form ADV. An account's return will be reduced by investment advisory fees and any other expenses that may be incurred in the management of an account. The HighMark Capital Advisors (HCA) standard management fee schedule is 1.00% annually. Assuming an investment for five years at a 5% annual total return, and an annual fee rate of 1.00% deducted from the assets at market value at the end of each year, a \$10 million initial value would grow to \$12.14 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The unmanaged Barclays Capital (BC) US Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year US Corporate & Government Index tracks the bond performance of the ML US Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month US Treasury Bill. Individual account management and construction will vary depending on each client's investment needs and objectives including liquidity needs, tax situation, risk tolerance, and security restrictions. There can be no guarantee that this or any investment strategy will achieve its objective. Past performance does not guarantee future results. Securities investments involve risk, including the possible loss of the principal amount invested. Investments are not deposits of the adviser's parent or any of the adviser's affiliates, and are not FDIC insured. HighMark is a wholly owned subsidiary of Union Bank and manages institutional separate account portfolios for a wide variety of entities. It also serves as investment adviser for mutual funds and other types of funds, and sub-advises certain Union Bank collective funds. Union Bank, a subsidiary of UnionBank/Cit Corporation, provides certain services to HighMark and is compensated for these services.



Vision. Discipline. Results.™

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution HighMark's diversified investment portfolios are designed to balance return expectations with risk tolerance.

Rigorous Manager Due Diligence Our mutual fund research team utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results.

Flexible Investment Options In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds.

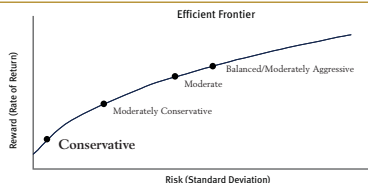
Risk Management The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities.

PARS Diversified Portfolios - Conservative

As of December 31, 2009

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION - CONSERVATIVE PORTFOLIO

Table with columns: Strategic Range, Policy, Tactical. Rows: Equity (5-20%, 15%, 17%), Fixed Income (60-95%, 80%, 75%), Cash (0-20%, 5%, 8%).

ANNUALIZED TOTAL RETURNS

Table with columns: HighMark Plus, Blended Benchmark, Index Plus, Blended Benchmark. Rows: Current Quarter, Year To Date, 1 Year, 2 Year, 3 Year, 4 Year, Inception To Date (66-Mos.).

*Returns less than 1 year are not annualized. Blended for Blended Benchmark 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp/Govt, 40% BC Agg, 5% Cit 1 Mth T-Bill, Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Govt, 40% BC Agg, and 5% Cit 1Mth T-Bill.

ANNUAL RETURNS

Table with columns: HighMark Plus, Index Plus. Rows: 2005, 2006, 2007, 2008, 2009.

PORTFOLIO FACTS

Table with columns: HighMark Plus, Index Plus. Rows: Inception date, No. of Funds in Portfolio.

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite.



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ABOUT THE ADVISER

HighMark Capital Management, Inc. (HighMark), the adviser to HighMark Funds, has over 90 years of institutional money management experience with more than \$16 billion in assets under management.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA Senior Portfolio Manager Investment Experience: 17 Years HighMark Tenure: 12 Years Education: MBA, University of Southern California; BA, University of Southern California

Tom Cheo Senior Portfolio Manager Investment Experience: 29 Years HighMark Tenure: 9 Years Education: BA, Boston University

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Asset Allocation Committee Number of Members: 8 Average Years of Experience: 24 Average Tenure (Years): 13

Manager Review Committee Number of Members: 11 Average Years of Experience: 16 Average Tenure (Years): 8

PARS Diversified Portfolios - Moderately Conservative

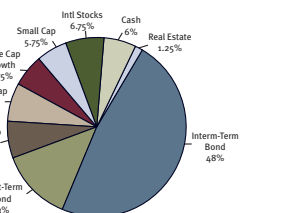
As of December 31, 2009

SAMPLE HOLDINGS

Table with columns: HighMark Plus, Index Plus. Rows: Davis NY Venture Fund, Eaton Vance Large Cap Value, HighMark Large Cap Value, Raimier Large Cap Growth, T. Rowe Price Growth Stock, Columbia Small Cap Value, T. Rowe Price New Horizons, HighMark International Fund, HighMark Bond, Vanguard Short-Term Corp Adm, Lazard Emerging Markets Instl, PIMCO Total Return, Dodge & Cox International Stock, MFS International Growth, Manning & Napier Equity Fund, First American Real Estate Fund.

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent diversified composite of tax exempt accounts that meet the following criteria. Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.



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PARS Diversified Portfolios - Conservative

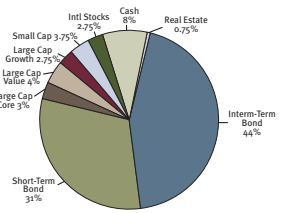
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SAMPLE HOLDINGS

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