

**AMENDMENT #2 TO PROFESSIONAL SERVICES AGREEMENT
COUNTY OF MONTEREY & PFM ASSET MANAGEMENT LLC**

THIS AMENDMENT is made to the PROFESSIONAL SERVICES AGREEMENT for Investment and Consulting services by and between **PFM ASSET MANAGEMENT LLC**, a Delaware limited liability company with an office in San Francisco, CA, hereinafter “CONTRACTOR”, and the County of Monterey, a political subdivision of the State of California, hereinafter referred to as “County”.

WHEREAS, the County and the CONTRACTOR previously entered into an agreement for Professional Services dated as of January 2, 2014 (the “Original Agreement”) as amended by Amendment #1 to Agreement dated as of October 31, 2014 (the “First Amendment,” and with the Original Agreement, the “Existing Agreement”), whereunder the County engaged CONTRACTOR to provide nondiscretionary investment advisory services, as more particularly described in the Original Agreement; and

WHEREAS, the County and CONTRACTOR wish to amend the Existing Agreement to add additional services and to increase the total amount of the Existing Agreement due to the addition of services, as herein described; and

WHEREAS, the County has funds available for investment purposes (the “Initial Funds”) for which it intends to conduct an investment program, and has determined that it is desirable and in its best interests to engage CONTRACTOR to manage the Managed Funds (as such term is defined herein) on a discretionary basis; and

WHEREAS, CONTRACTOR is willing to perform additional services as outlined in CONTRACTOR’s Statement of Work which is attached hereto as Exhibit A and incorporated herein, in addition to those services set forth in Section 2 of the Original Agreement; and

WHEREAS, the County and CONTRACTOR desire to amend the Existing Agreement to provide for the engagement of CONTRACTOR to provide such discretionary management, and to revise the fee schedule for such discretionary management services, as provided herein; and

WHEREAS, the Existing Agreement, as amended by this Second Amendment, is referred to as the “Agreement”;

NOW THEREFORE, the County and the CONTRACTOR, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound, hereby agree as follows:

1. Section 2.0 of the Original Agreement is hereby amended by the addition of the following Section 2.11, which shall provide as follows:

2.11 Discretionary Management Services of CONTRACTOR: The County hereby engages CONTRACTOR to serve as investment advisor with respect to the Initial Funds and such other funds as the County may from time to time assign by written notice to CONTRACTOR (collectively the "Managed Funds") under the terms of this Agreement, and CONTRACTOR accepts such engagement. In connection therewith, CONTRACTOR will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets as more fully set forth in Exhibit A to and incorporated into Amendment No. 2 to the Agreement. CONTRACTOR shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. CONTRACTOR shall furnish the County with statistical information and reports with respect to investments of the Managed Funds. CONTRACTOR shall place all orders for the purchase, sale, loan or exchange of portfolio securities and investments for the County's account with brokers or dealers recommended by CONTRACTOR and/or the County which CONTRACTOR reasonably believes to be reputable, qualified and financially sound. In connection with the selection of such brokers and dealers and the placing of such orders, CONTRACTOR is directed to seek for the County the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to CONTRACTOR by such brokers and dealers. The County agrees to legally appoint a custodian (the "Custodian") to take and have custody of cash, assets and securities of the Managed Funds. The Custodian shall not be CONTRACTOR and shall be independent of CONTRACTOR. The County agrees to enter, or that it has entered, into a custodian agreement with the Custodian. CONTRACTOR is authorized to give instructions to the Custodian with respect to the Managed Funds as to deliveries of securities and payments of cash for the payment of securities. CONTRACTOR shall not take possession of or act as custodian for the cash, securities or other assets of the Managed Funds and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are permissible under applicable statutes and regulations and the County's Investment Policy, as supplemented by such other written

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instructions as may from time to time be provided by the County to CONTRACTOR. The County agrees to promptly provide CONTRACTOR with any amendments or revisions to the Investment Policy.

2. Sub-Section 4.1 of the Original Agreement, under Section 4.0 “Term of the Agreement,” shall be amended with the addition of a new Subsection 4.1.2 which shall read as follows:

4.1.2 Effective October 1, 2015, this AGREEMENT is hereby amended to extend the term hereof to include the period of October 1, 2015 through October 31, 2017, unless sooner terminated in writing pursuant to the terms of this AGREEMENT.

3. Section 5.1 of the Original Agreement, as amended by Section 2 of the First Amendment, is hereby further amended to add the following Section 5.1.1, which shall control the payment for all services performed pursuant to the Agreement for the term of October 1, 2015 through the end of the contract period, October 31, 2017:

5.1.1 It is mutually understood and agreed by both parties that for all services provided by CONTRACTOR pursuant to this Agreement respecting the Managed Funds, the County shall pay CONTRACTOR an annual fee, in monthly installments, based on daily net asset under management determined as defined in the schedule below as more fully set forth in Exhibit A to and incorporated into Amendment No. 2 to the Agreement. For purposes of this section, “daily net assets” means the amortized value of securities, accrued interest and cash or any money market fund balance.

<u>Average Assets Under Management</u>	<u>Fees</u>
Initial \$100 million	8 basis points (0.08%)
Next \$100 million	6 basis points (0.06%)
Next \$400 million	5 basis points (0.05%)
Over \$600 million	3 basis points (0.03%)

The minimum annual fee is \$15,000 and the maximum annual fee is \$300,000, each to be determined on a contract year basis (October 1 to the succeeding October 1; for the 25th month of the extended term of this Agreement (October 1, 2017 through October 31, 2017), the minimum and maximum annual fees shall be prorated). Effective October 1, 2015, the only compensation to be owed to CONTRACTOR is set forth in Exhibit A

to and incorporated into Amendment No. 2 to the Agreement and there is no longer a flat rate payment owing pursuant to Section 5.1 of the Original AGREEMENT effective October 31, 2015 through the end of the term of the AGREEMENT. The new pricing structure is for all work performed pursuant to the AGREEMENT, for all work performed, through October 31, 2017. The additional scope of work as set forth in Exhibit A to the Amendment No. 2 to the Agreement is added, not supplanting the existing scope of work, for the period October 1, 2015 through October 31, 2017. (The original scope of work as identified in Section 2.0 of the Original Agreement remains the responsibility of CONTRACTOR and is included in new pricing as set forth herein.)

CONTRACTOR will bill the County monthly for service performed under this Agreement said bill to include a statement indicating the basis upon which the fee was calculated. The County shall pay to CONTRACTOR the amount payable pursuant to this Agreement not later than on the 15th day of the month following the month during which CONTRACTOR'S statement was rendered.

4. If there is any conflict or inconsistency between the provisions of the AGREEMENT, or this AMENDMENT, the provisions of this AMENDMENT shall govern. A copy of this AMENDMENT shall be attached to the Original AGREEMENT, as it may have been previously amended. Except as provided herein, all remaining terms, conditions, provisions, entitlements and obligations of the Original AGREEMENT shall remain unchanged and unaffected by this AMENDMENT and shall continue in full force and effect.

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IN WITNESS WHEREOF, the parties have executed this AMENDMENT on the day and year written below.

MONTEREY COUNTY

CONTRACTOR

Contracts/Purchasing Officer

By: _____
Signature of Chair, President, or
Vice-President

Dated: _____

Printed Name and Title

Approved as to Fiscal Provisions:

Dated: _____

Deputy Auditor/Controller

By: _____
(Signature of Secretary, Asst. Secretary, CFO,
Treasurer or Asst. Treasurer)*

Dated: _____

Approved as to Liability Provisions:

Printed Name and Title

Risk Management

Dated: _____

Dated: _____

Approved as to Form:

Deputy County Counsel

Dated: _____