

CONTINUING DISCLOSURE AGREEMENT

by and between

COUNTY OF MONTEREY

and

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

Dated as of August 1, 2017

\$_[]
County of Monterey
Certificates of Participation
(2017 Public Facilities Refunding)

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of August 1, 2017, is by and between the COUNTY OF MONTEREY, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California (the “County”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Trustee (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the County has caused to be executed and delivered the County of Monterey Certificates of Participation (2017 Public Facilities Refunding) (the “Certificates”), evidencing principal in the aggregate amount of \$[____], pursuant to the Trust Agreement, dated as of August 1, 2017 (the “Trust Agreement”), by and between the County and the Trustee; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the Trustee for the benefit of the owners and beneficial owners of the Certificates and in order to assist the underwriters of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

“Annual Report” means any Annual Report provided by the County pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the ninth month after the end of the County’s fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

“County” means the County of Monterey, a county and political subdivision of the State organized and existing under the laws of the State, and its successors.

“Disclosure Representative” means the County Administrative Officer of the County, the Auditor-Controller of the County, the Deputy Auditor-Controller of the County, the County Debt Manager of the County, or such other person as the County shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated August [2], 2017, relating to the Certificates.

“Participating Underwriter” means any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

“Rule” means 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.

“Trust Agreement” means the Trust Agreement, dated as of August 1, 2017, by and among U.S. Bank National Association, as trustee, the Corporation and the County, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Trustee” means U.S. Bank National Association, as Trustee under the Trust Agreement, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2016-17 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the County, if any, 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 County’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

- (d) The Dissemination Agent shall:
 - (i) provide each Annual Report received by it to the MSRB, as provided herein; and
 - (ii) file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The County's audited financial statements, if any, 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 County's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the County's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) An update for the then current fiscal year of the information contained in the tables with the following headings in the Official Statement:

- Table 1 – County of Monterey – General Fund Balance Sheet;
- Table 2 – County of Monterey – General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance;
- Table 3 – County of Monterey – General Fund Budget for Current Fiscal Year;
- Table 4 – County of Monterey – General Fund Budgets;
- Table 5 – County of Monterey – Assessed Values of Taxable Property
- Table 6 – County of Monterey – Secured Tax Levies and Delinquencies;
- Table 7 – County of Monterey – Ten Largest Taxpayers;
- Table 8 – County of Monterey Transient Occupancy Tax Receipts;
- Table 9 – County of Monterey Historical Taxable Sales and Sales Tax Receipts;
- Table 10 – County of Monterey – Long-Term Debt Outstanding;
- Table 11 – County of Monterey – Annual CalPERS Costs;
- Table 12 – Funded Status – Miscellaneous Plan;

Table 13 – Funded Status – Safety Plan;

An update of the information regarding contribution rates and costs in the Official Statement under the caption “COUNTY FINANCIAL INFORMATION – Pension Benefits - Other Post-Employment Benefits (OPEB)”;

An update of the financial and operating data contained in the Official Statement under the caption “COUNTY FINANCIAL INFORMATION - Investments of County Funds; County Pool.”

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 County or related public entities, that have been made available to the public on the MSRB’s website. The County shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the County.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U. S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(b) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates.
- (ii) Modifications to rights of holders of the Certificates.
- (iii) Optional, unscheduled or contingent Certificate calls.
- (iv) Release, substitution, or sale of property securing repayment of the Certificates.
- (v) Non-payment related defaults.
- (vi) The consummation of a merger, consolidation, or acquisition involving an County or the sale of all or substantially all of the assets of the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Trustee shall have no obligation or duty to determine the materiality of such Listed Event or whether such Listed Event reflects financial difficulties.

(d) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the County shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the County shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and (iii) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the County. If at any time there is not a designated Dissemination Agent (that is not the Trustee), the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the County; provided, however, that the Trustee shall be obligated to agree to any such amendment, so long as such amendment does not adversely affect the rights or increase the obligations of the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust

Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by the Outstanding Certificates, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Certificates may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event and neither thereof shall have any obligation or duty to review, verify or analyze any Annual Report; the Trustee shall hold each Annual Report solely as a repository for the Owners. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The

Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur 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, and which are not due to its negligence or its willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF MONTEREY

By: _____
[Name],
[Title]

**U.S. BANK NATIONAL ASSOCIATION, AS
TRUSTEE**

By: _____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Monterey

Name of Issue: County of Monterey Certificates of Participation (2017 Public Facilities Refunding)

Date of Delivery: August [23], 2017

NOTICE IS HEREBY GIVEN that the County of Monterey (the “County”) has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated as of August 1, 2017, by and between the County and U.S. Bank National Association, as Trustee. [The County anticipates that such Annual Report will be filed by _____.]

Dated: _____

U.S. Bank National Association, as Trustee,
on behalf of the County of Monterey

cc: County of Monterey