

**PLEDGED AD VALOREM TAX AND PLEDGED ASSESSMENT
PAYMENT AGREEMENT**

THIS PLEDGED AD VALOREM TAX AND PLEDGED ASSESSMENT PAYMENT AGREEMENT is entered into as of June __, 2018 (this “Agreement”), by and among the Auditor-Controller (the “Auditor-Controller”) of the County of Monterey, California (the “County”), the Monterey Agency Water Resources Agency (the “Agency”), and U.S. Bank National Association, as trustee (the “Trustee”) under that certain Indenture, dated as of June 1, 2018 (the “Indenture”), by and between the Monterey County Financing Authority (the “Authority”) and the Trustee, in connection with the issuance of the Authority of its 2018 Revenue Refunding Bonds (the “Bonds”). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Indenture.

RECITALS

WHEREAS, pursuant to Article XIII A of the Constitution of the State of California and Section 95 *et seq.* of the California Revenue and Taxation Code, the Agency is entitled to receive from the County a share of ad valorem tax on all taxable property within the territory of the Agency (the “Ad Valorem Taxes”), which Ad Valorem Taxes are levied each year by the County;

WHEREAS, pursuant to the Installment Purchase Agreement, the Agency has pledged to the payment of the Bonds the Ad Valorem Taxes received by the Agency, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the Agency (the “Pledged Ad Valorem Taxes”);

WHEREAS, pursuant to Ordinance No. 04203, adopted by the Board of the Supervisors of the County, enacted pursuant to Sections 6, 9, 20, 24 and 24.1 of the Monterey County Water Resources Agency Act, as originally adopted, as modified by the stipulated judgment in *Salinas Valley Property Owners for Lawful Assessments, et al. v. County of Monterey, et al.* (Case No. M66890), as the same may from time to time be amended or supplemented (the “Assessment Ordinance”), the Agency is authorized to levy certain assessments (the “Pledged Assessments”) on certain property located in a special benefit zone established by the Agency designated as Zone 2C;

WHEREAS, the Pledged Ad Valorem Taxes and Pledged Assessments are collected for the Agency by the Auditor-Controller of the County (together with any successor entity or entities that collect the Pledged Ad Valorem Taxes and Pledged Assessments on behalf of the Agency, the “Auditor-Controller”), and are deposited in an account designated as Account 313 (“Account 313”), which Account 313 is held by the County for the benefit of the Agency;

NOW, THEREFORE, it is mutually agreed as follows:

Section 1. Deposit and Transfers of Funds.

(a) Upon receipt by the Auditor-Controller of the Pledged Ad Valorem Taxes and Pledged Assessments, including delinquent Pledged Ad Valorem Taxes and Pledged Assessments

from prior periods, such amounts shall be deposited by the Auditor-Controller into Account 313 within thirty (30) days.

(b) At least forty-five (45) days, but no more than sixty (60) days, prior to each payment date set forth in Schedule A hereto, if amounts on deposit in the Reserve Fund are insufficient to meet the Reserve Requirement, the Trustee shall notify the Auditor-Controller the amount necessary to replenish any such insufficiency (the "Reserve Deficiency").

(c) At least thirty (30) days prior to each payment date set forth in Schedule A hereto, the Auditor-Controller shall transfer all amounts in Account 313 necessary to pay to the Trustee the next debt service payment, as set forth on Schedule A (each, a "Debt Service Payment") and any amount necessary to pay to the Trustee the Reserve Deficiency, if any, identified by the Trustee pursuant to (b) above.

(d) From amounts received from the Auditor-Controller, the Trustee shall deposit the Debt Service Payment into the Debt Service Fund and the payment of the Reserve Deficiency into the Reserve Fund within one (1) Business Day of receipt of such amount(s).

Section 2. Compensation. As compensation for the Trustee's services under this Agreement, the Agency hereby agrees to pay the Trustee the fees and amounts set forth in Schedule B attached hereto.

Section 3. Right, Protections and Immunities of Trustee. The Trustee shall be afforded the same rights, protections, and immunities under this Agreement as afforded to it as Trustee under the Indenture.

Section 4. Amendment. This Agreement may be amended only by an agreement in writing signed by each of the parties hereto and upon written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee; provided that this Agreement may be amended without the written consent of the Owners for any of the purposes for which the Indenture may be modified or amended pursuant to Section 8.01(b) of the Indenture.

Section 5. Assignment. This Agreement may not be assigned by any party without the prior written consent of the others; provided that the Agency shall assign this Agreement to the Trustee as security for the Bonds.

Section 6. Notices. Any direction, notice or other document provided or permitted hereby to be given or furnished to (i) the County shall be mailed or delivered to the Auditor-Controller at 168 West Alisal Street, 3rd floor, Salinas, CA 93901, (ii) the Agency shall be mailed or delivered to the Agency at 1441 Schilling Pl., North Bldg., Salinas, CA 93901, Attention: General Manager and (iii) the Trustee shall be mailed or delivered to the Trustee at the address set forth in Section 12.16 of the Indenture.

Section 7. Severability. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 8. Benefits of Agreement. Except as hereinafter provided, nothing herein express or implied shall give to any person, other than the parties hereto and their successors

hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder; provided that the holders of the Bonds are hereby recognized as being third-party beneficiaries hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

Section 9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 10. Termination. This Agreement shall remain in effect under the Bonds are no longer outstanding, at which point, this Agreement may be terminated by any party upon thirty (30) days written notice to the others.

Section 11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Signature page follows]

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

COUNTY OF MONTEREY, CALIFORNIA

By: _____
Michael J. Miller, C.P.A.
Auditor-Controller

APPROVED AS TO FORM:

By: _____
Deputy County Counsel

**MONTEREY COUNTY WATER
RESOURCES AGENCY**

By: _____
David Chardavoyne
General Manager

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

By: _____
Authorized Officer

[Signature Page to Pledged Ad Valorem Tax and Pledged Assessment Payment Agreement
Monterey County Financing Authority 2018 Revenue Refunding Bonds]

Schedule A

Debt Service Schedule

[See attached]

Schedule B

Trustee Fee Schedule

[See attached]