

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”), dated as of June 1, 2018, is executed and delivered by the MONTEREY COUNTY WATER RESOURCES AGENCY, a flood control and water agency established and existing under and by virtue of the laws of the State of California (the “Agency”), in connection with the its \$_____ 2018 Revenue Refunding Bonds (the “Bonds”).

WITNESSETH:

WHEREAS, the Monterey County Financing Authority has issued the Bonds pursuant to an Indenture, dated as of June 1, 2018, between the Monterey County Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”), which Bonds are payable solely from Authority Revenues, which consist of Installment Payments made by the Agency pursuant to an Installment Purchase Agreement, dated as of June 1, 2018, by and between the Authority and the Agency, and payments made by the Auditor-Controller (the “Auditor-Controller”) of the County of Monterey (the “County”) on behalf of the Agency pursuant to a Pledged Ad Valorem Taxes and Pledged Assessments Payment Agreement, dated as of June ___, 2018, by and among the Auditor-Controller, the Agency and the Trustee; and

WHEREAS, this Disclosure Certificate is being executed and delivered by the Agency for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with the Rule (as defined herein);

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

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12.

Section 2. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. In addition, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Disclosure Representative” means the Deputy General Manager of the Agency or the Finance Manager of Water Resources of the Agency, or such other officer or employee of the Agency as the Deputy General Manager of the Agency or the Finance Manager of Water Resources of the Agency shall designate in writing to the Dissemination Agent and the Trustee from time to time.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Listed Events” means any of the events listed in Section 5 hereof.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated _____, 2018, relating to the Bonds.

“Participating Underwriter” means the underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” means, until otherwise designated by the SEC, EMMA.

“Rule” means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) So long as any Bonds remain outstanding pursuant to the Indenture, the Agency shall, no later than April 1 following the end of each Fiscal Year, commencing with the report for the 2017-18 Fiscal Year, provide to the MSRB, through EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as provided by the MSRB. The Official Statement shall serve as the first Annual Report.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the Comprehensive Annual Financial Report of the County 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 Fiscal Year changes for the Agency, the Agency shall give notice of such change in the manner provided under Section 5(e) hereof.

(b) If the Agency does not provide the Annual Report to each Repository by the date required in subsection (a), the Agency shall send a notice to each Repository in substantially the form attached hereto as Exhibit A.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

(a) The Comprehensive Annual Financial Report (the "CAFR") of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the CAFR is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the CAFR contained in the final Official Statement, and the CAFR shall be filed in the same manner as the Annual Report when it becomes available.

(b) The debt service schedule for the Bonds, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service schedule for any additional parity bonds issued, in each case during the prior Fiscal Year.

(c) Tables 1, 4, 11 and 12 in the Official Statement, in each case for the prior Fiscal Year.

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the Agency to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Agency or to reflect changes in the business, structure, operations, legal form of the Agency or any mergers, consolidations, acquisitions or dispositions made by or affecting the Agency; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events. (a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not more than ten (10) Business Days after the event:

- (1) principal and interest payment delinquencies;
- (2) defeasances;
- (3) tender offers;
- (4) rating changes;
- (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

- (6) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (7) unscheduled draws on credit enhancements reflecting financial difficulties;
- (8) substitution of credit or liquidity providers or their failure to perform; or
- (9) bankruptcy, insolvency, receivership or similar event of the Agency.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Agency in a proceeding under the United States 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 Agency, or if such jurisdiction has been assumed by leaving the existing governing 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 Agency.

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) the consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, 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;
- (2) appointment of a successor or additional Trustee or the change of the name of a Trustee;
- (3) non-payment related defaults;
- (4) modifications to the rights of Holders;
- (5) bond calls;
- (6) release, substitution or sale of property securing repayment of the Bonds; or
- (7) in addition to the adverse tax opinions or determinations of taxability described in Section 5(a)(5) above, any other notices or

determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds.

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Agency shall as soon as possible determine if such event would be material under applicable federal securities law.

(d) If the Agency determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Agency shall promptly report the occurrence to the MSRB in a timely manner not more than ten (10) Business Days after the event.

Section 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the holders of the Bonds or any other party.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, provided any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Agency to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate.

Section 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds then Outstanding (but only to the extent funds in an amount

satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Certificate as of the date first above written.

**MONTEREY COUNTY WATER RESOURCES
AGENCY**

By: _____
David E. Chardavoyne
General Manager

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Monterey County Water Resources Agency (the “Agency”)

Name of Issue: \$_____ Monterey County Financing Authority 2018 Revenue
Refunding Bonds

Date of Issuance: June __, 2018

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by this Continuing Disclosure Certificate dated as of June 1, 2018, between the Agency and the Dissemination Agent. The Agency anticipates that the Annual Report will be filed by _____.

Dated: ____, 20__

**MONTEREY COUNTY WATER RESOURCES
AGENCY**

By: _____
[Name]
[Title]