

## ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Agreement") is made and entered into as of \_\_\_\_\_ 1, 2016, by and between the CITY OF STOCKTON, CALIFORNIA, a municipal corporation and chartered city organized and existing under the laws of the State of California (the "**City**"), STOCKTON PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "**Authority**"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow bank hereunder (the "**Escrow Bank**").

### BACKGROUND:

WHEREAS, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, the City previously formed the following Community Facilities Districts (each, a "**CFD**") and issued the following bonds (collectively, the "**Prior CFD Bonds**") for each CFD pursuant to a separate Fiscal Agent Agreement for each respective CFD (each a "**Prior CFD Bonds Fiscal Agent Agreement**"), between, between the City and Wells Fargo Bank, National Association:

- (i) \$21,635,000 City of Stockton Spanos Park West Community Facilities District No. 2001-1 Special Tax Bonds, Series 2006 (the "**Spanos Park West CFD Prior Bonds**") to finance the acquisition or construction of certain facilities for the City's Spanos Park West Community Facilities District No. 2001-1 (the "**Spanos Park West CFD**"); and
- (ii) \$3,250,000 City of Stockton Camera Estates Community Facilities District No. 2003-1 Special Tax Bonds, Series 2003 (the "**Camera Estates CFD Prior Bonds**") to finance the acquisition or construction of certain facilities for the City's Camera Estates Community Facilities District No. 2003-1 (the "**Camera Estates CFD**"); and
- (iii) \$6,100,000 City of Stockton Community Facilities District No. 2006-3 (Northbrook) Special Tax Bonds, Series 2006 (the "**Northbrook CFD Prior Bonds**") to finance the acquisition or construction of certain facilities for the City's Community Facilities District No. 2006-3 (Northbrook) (the "**Northbrook CFD**"); and
- (iv) \$4,090,000 City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special Tax Bonds, Series 2006 (the "**Riverbend CFD Prior Bonds**") to finance the acquisition or construction of certain facilities for the City's Community Facilities District No. 2006-1 (Riverbend) (the "**Riverbend CFD**"); and

WHEREAS, the City also previously conducted special assessment proceedings to form two assessment districts (each a "**Prior Assessment District**"), and issued a series of improvement bonds of the City for each respective Prior Assessment District (collectively, the "**Prior AD Bonds**"), pursuant to a separate Fiscal Agent Agreement for each respective Prior Assessment District (each a "**Prior AD Bonds Fiscal Agent Agreement**"), between the City and Wells Fargo Bank, National Association:

- (i) \$3,100,000 City of Stockton Limited Obligation Improvement Bonds March Lane/Holman Assessment District 2003-1 (the “**March/Holman AD Prior Bonds**”) pursuant to a Fiscal Agent Agreement, dated as of March 1, 2004, between the City and Wells Fargo Bank, National Association; and
- (i) \$3,360,000 City of Stockton Limited Obligation Improvement Bonds Waterford Estates East Phase II Assessment District No. 2003-3 (the “**Waterford AD Prior Bonds**”);

WHEREAS, the Authority has previously issued its \$16,680,000 original amount of Refunding Revenue Bonds (2005 Reassessment Districts Refinancing) Series A Senior Lien Bonds and its \$1,355,000 original amount of Refunding Revenue Bonds (2005 Reassessment Districts Refinancing) Series B Subordinate Lien Bonds (together, the “**2005 Authority Bonds**”) pursuant to an Indenture of Trust dated as of August 1, 2005 (the “**2005 Authority Bonds Indenture**”) by and between the Authority and Wells Fargo Bank, National Association, as trustee thereunder; and

WHEREAS, the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds maturing on or after September 1, 2017 are subject to optional redemption prior to maturity on September 1, 2016, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, without premium; and

WHEREAS, in order to provide funds to refinance the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds and thereby realize interest savings, the Board of Directors of the Authority has determined to authorize the issuance and sale of Revenue Bonds (Assessment and Special Tax Districts Refundings) Series 2016A in the aggregate principal amount of \$\_\_\_\_\_ (the “**2016 Authority Bonds**”) and the City Council of the City has determined to authorize the issuance and sale a series of refunding bonds for each of the outstanding series of Prior CFD Bonds to be refunded (collectively, the “**2016 CFD Bonds**”) and for each of the outstanding series of Prior AD Bonds to be refunded (together, the “**2016 AD Bonds**”); and

WHEREAS, the City has cash available to fully defease the outstanding bonds for the La Morada Assessment District No. 96-4 (Reassessment and Refunding of 2005) and the Blossom Ranch Assessment District No. 93-1 (Reassessment and Refunding of 2005), presently owned by the Authority and supporting payment on the 2005 Authority Bonds, and the City has advised the Authority it will establish an escrow for defeasance of those bonds and redemption of all the outstanding bonds on September 1, 2016; and

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

**Section 1. Appointment of Escrow Bank.** The Authority hereby appoints the Escrow Bank as escrow bank for all purposes of this Agreement and in accordance with the terms and provisions of this Agreement, and the Escrow Bank hereby accepts such appointment.

**Section 2. Establishment of Escrow Fund.** There is hereby created the Escrow Fund to be held by the Escrow Bank, separate and apart from any funds or accounts of the Escrow Bank or the Authority, as an irrevocable escrow securing payment of principal of and interest on

the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds, as hereinafter set forth.

All cash and Defeasance Securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds in accordance with the provisions of the 2005 Authority Bonds Indenture, the respective Prior CFD Bonds Fiscal Agent Agreement and the Prior AD Bonds Fiscal Agent Agreement under which the Prior CFD Bonds and Prior AD Bonds were issued. If at any time the Escrow Bank receives actual knowledge that the cash and Defeasance Securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 hereof, the Escrow Bank shall notify the Authority and the City of such fact and the Authority will immediately cure such deficiency from any source of legally available funds.

As used herein, the term "Defeasance Securities" means the securities set forth on Exhibit A hereto and hereby incorporated herein.

### **Section 3. Deposit into Escrow Fund; Investment of Amounts.**

(a) Concurrently with delivery of the 2016 Authority Bonds:

**For the 2005 Authority Bonds** (total deposit: \$ \_\_\_\_\_):

(i) the Authority shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 Authority Bonds) for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_; and

(ii) the 2005 Authority Bonds Trustee shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the 2005 Authority Bonds under the 2005 Authority Bonds Indenture) for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_; and

(iii) the City shall cause to be transferred to the Escrow Bank (from cash available to the City for redemption of the "City of Stockton Limited Obligation Refunding Bonds, La Morada Assessment District No. 96-4 (Reassessment and Refunding of 2005)" for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_; and

(iii) the City shall cause to be transferred to the Escrow Bank (from cash available to the City for redemption of the "City of Stockton Limited Obligation Refunding Bonds, Blossom Ranch Assessment District No. 93-1 (Reassessment and Refunding of 2005)" for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_.

(b) Concurrently with delivery of the 2016 CFD Bonds:

**For the Spanos Park West CFD** (total deposit: \$ \_\_\_\_\_):

(i) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the Spanos Park West CFD) for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_; and

(ii) the Escrow Bank, in its capacity as fiscal agent for the Spanos Park West CFD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the Spanos Park West CFD Prior Bonds under the Fiscal Agent Agreement for the Spanos Park West CFD Prior Bonds) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_.

**For the Camera Estates CFD (total deposit: \$\_\_\_\_\_):**

(ii) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the Camera Estates CFD) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ ; and

(iv) the Escrow Bank, in its capacity as fiscal agent for the Camera Estates CFD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the Camera Estates CFD Prior Bonds under the Fiscal Agent Agreement for the Camera Estates CFD Prior Bonds) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ .

**For the Northbrook CFD (total deposit: \$\_\_\_\_\_):**

(v) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the Northbrook CFD) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ ; and

(vi) the Escrow Bank, in its capacity as fiscal agent for the Northbrook CFD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the Northbrook CFD Prior Bonds under the Fiscal Agent Agreement for the Northbrook CFD Prior Bonds) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ .

**For the Riverbend CFD (total deposit: \$\_\_\_\_\_):**

(vii) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the Riverbend CFD) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ ; and

(viii) the Escrow Bank, in its capacity as fiscal agent for the Riverbend CFD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the Riverbend CFD Prior Bonds under the Fiscal Agent Agreement for the Riverbend CFD Prior Bonds) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ .

(c) Concurrently with delivery of the 2016 AD Bonds:

**For the March/Holman AD (total deposit: \$\_\_\_\_\_):**

(i) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the March/Holman AD) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ ; and

(ii) the Escrow Bank, in its capacity as fiscal agent for the March/Holman AD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the March/Holman AD Prior Bonds under the Fiscal Agent Agreement for the March/Holman AD Prior Bonds) for deposit into the Escrow Fund, the amount of \$\_\_\_\_\_ .

**For the Waterford AD** (total deposit: \$ \_\_\_\_\_):

(i) the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2016 CFD Bonds for the Waterford AD for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_ ; and

(ii) the Escrow Bank, in its capacity as fiscal agent for the Waterford AD Prior Bonds shall cause to be transferred to the Escrow Bank (from amounts it holds with respect to the Waterford AD Prior Bonds under the Fiscal Agent Agreement for the Waterford AD Prior Bonds) for deposit into the Escrow Fund, the amount of \$ \_\_\_\_\_ .

**Section 4. Instructions as to Application of Deposit.** With respect to the aggregate \$ \_\_\_\_\_ deposited into the Escrow Fund, the Escrow Bank shall:

(i) invest \$ \_\_\_\_\_ of the moneys deposited in the Defeasance Securities described in Exhibit A hereto, and

(ii) hold the remaining \$ \_\_\_\_\_ in cash uninvested.

The Defeasance Securities and cash shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Bank shall have no lien upon or right of set off against the Defeasance Securities and cash at any time on deposit in the Escrow Fund.

The total amount of Defeasance Securities and cash deposited in the Escrow Fund pursuant to Section 3 shall be applied by the Escrow Bank to the redemption of the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds on the date and in the amounts set forth on Exhibit B hereto. Any amounts remaining in the Escrow Fund following the full prepayment and redemption of the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds shall be transferred by the Escrow Bank to the trustee for the 2016 Authority Bonds, for deposit to the Revenue Fund established and held by such trustee under the Indenture relating to the 2016 Authority Bonds.

**Section 5. Election to Redeem; Notices.** The Authority hereby irrevocably elects to redeem the 2005 Authority Bonds, and the City hereby irrevocably elects to redeem the Prior CFD Bonds and the Prior AD Bonds, on September 1, 2016, in accordance with the provisions of the 2005 Authority Bonds Indenture (as to the 2005 Authority Bonds) and the respective Prior CFD Bonds Fiscal Agent Agreement and Prior AD Bonds Fiscal Agent Agreement under which the Prior CFD Bonds and Prior AD Bonds were issued.

The Escrow Bank is hereby directed to give notice of redemption of the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds in accordance with the provisions of the 2005 Authority Bonds Indenture (as to the 2005 Authority Bonds) and the respective Prior CFD Bonds Fiscal Agent Agreement and Prior AD Bonds Fiscal Agent Agreement under which the Prior CFD Bonds and Prior AD Bonds were issued, at the respective expense of the Authority and the City.

In addition, the Escrow Bank is directed to give a Notice of Defeasance of the 2005 Authority Bonds, the Prior CFD Bonds and the Prior AD Bonds on the issuance date of the 2016

Authority Bonds, to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the [emma.msrb.org](http://emma.msrb.org) website.

**Section 6. Application of Certain Terms of Prior Agreements.** All of the terms of the 2005 Authority Bonds Indenture relating to the making of payments of principal of and interest on the 2005 Authority Bonds are incorporated in this Agreement as if set forth in full herein. All of the terms of the respective Prior CFD Bonds Fiscal Agent Agreement and Prior AD Bonds Fiscal Agent Agreement under which the Prior CFD Bonds and Prior AD Bonds were issued, relating to the making of payments of principal of and interest on the respective Prior CFD Bonds and the Prior AD Bonds are incorporated in this Agreement as if set forth in full herein.

**Section 7. Compensation to Escrow Bank.** From proceeds of the 2016 Authority Bonds or other lawfully available sources, the Authority and/or the City shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase of any Defeasance Securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

**Section 8. Immunities and Liabilities of Escrow Bank.**

(i) The Escrow Bank undertakes to perform only such duties as are expressly and specifically set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against the Escrow Bank.

(ii) The Escrow Bank shall not have any liability hereunder except to the extent of its own gross negligence or willful misconduct. The Escrow Bank shall have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the 2005 Authority Bonds Indenture and the respective Prior CFD Bonds Fiscal Agent Agreement and Prior AD Bonds Fiscal Agent Agreement under which the Prior CFD Bonds and Prior AD Bonds were issued.

(iii) The Escrow Bank may consult with counsel of its own choice (which may be counsel to the Authority) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(iv) The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

(v) The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Defeasance Securities deposited with it to pay the principal of, and interest, or premiums, if any, on the 2005 Authority Bonds, the Prior CFD Bonds or the Prior AD Bonds.

(vi) The Escrow Bank shall not be liable for any action or omission of the Authority under this Agreement, the 2005 Authority Bonds Indenture, or the Prior CFD Bonds Fiscal Agent Agreements and Prior AD Bonds Fiscal Agent Agreements under which the respective Prior CFD Bonds and Prior AD Bonds were issued.

(vii) Whenever in the administration of this Agreement the Escrow Bank deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority, and such certificate will, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(viii) The Escrow Bank may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(ix) The Escrow Bank may at any time resign by giving written notice to the Authority of such resignation. The Authority shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank shall be effective upon acceptance of appointment by a successor Escrow Bank. If the Authority does not promptly appoint a successor, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of an Escrow Bank, the Authority may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the Authority appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the Authority shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

(x) The Authority covenants to indemnify and hold harmless the Escrow Bank against any loss, liability or expense, including legal fees, in connection with the performance of any of its duties hereunder, except the Escrow Bank shall not be indemnified against any loss, liability or expense resulting from its gross negligence or willful misconduct.

**Section 9. Amendment.** This Agreement may be amended by the parties hereto, (i) without the consent of the owners of the 2005 Authority Bonds, the Prior CFD Bonds or the Prior AD Bonds, but only if such amendment is made (a) to cure, correct or supplement any ambiguous or defective provision contained herein, (b) to pledge additional security to the payment of the principal, premium, if any, and interest represented by the 2005 Authority Bonds, or (c) to deposit additional monies for the purposes of this Agreement, or (ii) with the consent of 100% of the respective owners of the 2005 Authority Bonds, the Prior CFD Bonds or the Prior AD Bonds (as applicable) outstanding, and only if there shall have been filed with the Authority, City and the Escrow Bank a written opinion of Bond Counsel stating that any such amendment shall not materially adversely affect the interests of the owners of the affected 2005 Authority Bonds, Prior CFD Bonds or the Prior AD Bonds (as applicable), and that any such amendment shall not cause interest on the 2005 Authority Bonds, Prior CFD Bonds or the Prior AD Bonds (as applicable) to become includable in the gross income of the owners thereof for federal income tax purposes.



**Section 10. Execution in Counterparts.** This 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.

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

**Section 12. Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

**STOCKTON PUBLIC FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer

**CITY OF STOCKTON**

By: \_\_\_\_\_  
Authorized Officer

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, *as Escrow Bank***

By: \_\_\_\_\_  
Authorized Officer

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**EXHIBIT B**  
**SCHEDULE OF PAYMENT AND REDEMPTION**

Period Ending	Principal	Interest	Principal Redeemed	Total
9/1/16				