

ESCROW AGREEMENT

CITY OF STOCKTON ARCH ROAD EAST COMMUNITY FACILITIES DISTRICT NO. 99-02 2007 SPECIAL TAX BONDS

This ESCROW AGREEMENT (this "Agreement") is made and entered into as of December 1, 2018, by and among the CITY OF STOCKTON, CALIFORNIA, a municipal corporation and chartered city organized and existing under the laws of the State of California (the "City"), the STOCKTON PUBLIC FINANCING AUTHORITY, a joint powers agency 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").

R E C I T A L S :

WHEREAS, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, the City previously formed the Arch Road East Community Facilities District, City of Stockton, County of San Joaquin, California (the "CFD") and issued the City of Stockton Arch Road East Community Facilities District No. 99-02 2007 Special Tax Bonds (the "Prior CFD Bonds") for the CFD pursuant to a Fiscal Agent Agreement, dated as of September 1, 2007 (the "Prior CFD Bonds Agreement"), between the City, for and on behalf of the CFD, and Wells Fargo Bank, National Association, as fiscal agent;

WHEREAS, the City Council of the City has determined to authorize the issuance and sale of a series of refunding bonds for the CFD to provide funds to redeem the outstanding series of Prior CFD Bonds (the "2018 CFD Bonds"); and

WHEREAS, the Board of Directors of the Authority has determined to authorize the issuance and sale of its Stockton Public Financing Authority Revenue Bonds (Arch Road East CFD No. 99-02) Series 2018A in the aggregate principal amount of \$_____ (the "2018 Authority Bonds"), and to use a portion of the proceeds of the 2018 Authority Bonds to purchase the 2018 CFD Bonds.

A G R E E M E N T :

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

Section 1. Appointment of Escrow Bank. The City 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 City, as an irrevocable escrow securing payment of principal of and interest on the Prior CFD Bonds, as hereinafter set forth.

All cash and securities in the Escrow Fund is hereby irrevocably pledged as a special fund for the payment of the Prior CFD Bonds in accordance with the provisions of the Prior

CFD Bonds Agreement. If at any time the Escrow Bank receives actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payment required by Section 4 hereof, the Escrow Bank shall notify the City of such fact and the City will immediately cure such deficiency from any source of legally available funds.

Section 3. Deposit into Escrow Fund; Investment of Amounts. (a) Concurrently with delivery of the 2018 Authority Bonds and 2018 CFD Bonds, both of which are being issued simultaneously, the Authority and the City shall cause to be transferred to the Escrow Bank the amount of \$_____, derived as follows:

(i) the City shall cause to be transferred to the Escrow Bank (from cash available to the City for redemption of the CFD Prior Bonds) and for deposit by the Escrow Bank into the Escrow Fund, the amount of \$_____, derived as follows:

From Special Taxes held by the City:	\$
From the Special Tax Fund:	
From the Bond Fund:	_____
Total:	\$ _____

(ii) the Authority and the City shall cause to be transferred to the Escrow Bank (from proceeds of the 2018 CFD Bonds) for deposit into the Escrow Fund, the amount of \$_____.

(b) The Escrow Bank shall invest \$_____ of the moneys deposited into the Escrow Fund pursuant to Section 3(a) in the Federal Securities (as defined in the Prior CFD Bond Agreement) described in Exhibit C attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities") and shall hold the remaining \$_____ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

(c) The Escrow Bank may rely upon the conclusion of Grant Thornton, LLP, as contained in its opinion and accompanying schedules (the "Report") dated December __, 2018, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to provide for the redemption of the Prior CFD Bonds in full on March 1, 2019 (the "Redemption Date") at a redemption price (the "Redemption Price") equal to 101% of the Prior CFD Bonds to be redeemed together with accrued interest to the Redemption Date.

(d) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Agreement.

Section 4. Instructions as to Application of Deposit. The Escrowed Federal Securities and cash in the Escrow Fund shall be used by the Escrow Bank solely for the uses and purposes set forth herein. The Escrow Bank shall have no lien upon or right of set off against any amounts at any time on deposit in the Escrow Fund.

The total amount held in the Escrow Fund pursuant to Section 3(b) shall be applied by the Escrow Bank to the redemption of the Prior CFD Bonds on the Redemption Date in the amount set forth on Exhibit A hereto. Any amounts remaining in the Escrow Fund following the full redemption of the Prior CFD Bonds shall be transferred by the Escrow Bank to the trustee for the 2018 Authority Bonds, for deposit to the Revenue Fund established and held by such trustee under the Indenture of Trust relating to the 2018 Authority Bonds.

Section 5. Election to Redeem; Notices. The City hereby irrevocably elects to redeem the Prior CFD Bonds on the Redemption Date in accordance with the provisions of Section 2.03(A)(i) of the Prior CFD Bonds Agreement. The Escrow Bank is hereby directed to give notice of such redemption of the Prior CFD Bonds in accordance with the provisions of Section 2.03(E) of the Prior CFD Bonds Agreement, at the expense of the City, as required for the redemption of the Prior CFD Bonds on the Redemption Date.

In addition, the Escrow Bank is directed to give a Notice of Defeasance, in the form attached hereto as Exhibit B, of the Prior CFD Bonds on the issuance date of the 2018 CFD Bonds, to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the emma.msrb.org website.

Section 6. Application of Certain Terms of Prior Agreements. All of the terms of the Prior CFD Bonds Agreement relating to the making of payments of principal of and interest on the Prior CFD Bonds are incorporated in this Agreement as if set forth in full herein.

Section 7. Compensation to Escrow Bank. From proceeds of the 2018 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. 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 Prior CFD Bonds Agreement.

(iii) The Escrow Bank may consult with counsel of its own choice (which may be counsel to the City) 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 deposited with it to pay the Redemption Price of the Prior CFD Bonds.

(vi) The Escrow Bank shall not be liable for any action or omission of the City or the Authority under this Agreement or under the Prior CFD Bonds Agreement.

(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 City, 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 City of such resignation. The City shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank shall be contingent upon acceptance of appointment by a successor Escrow Bank. If the City 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 City may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the City appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the City shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

(x) The City 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 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 Prior CFD 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 on the Prior CFD Bonds, or (c) to deposit additional monies for the purposes of this Agreement, or (ii) with the consent of 100% of the owners of the Prior CFD Bonds outstanding, and only if there shall have been filed with the 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 Prior CFD Bonds, and that any such amendment does not cause interest on the Prior CFD Bonds 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 applicable to contracts made and performed in 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: _____
Treasurer

CITY OF STOCKTON

By: _____
Director of Administrative Services /
Chief Financial Officer

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

By: _____
Authorized Officer

19066.09:J15355

EXHIBIT A
SCHEDULE OF PAYMENT AND REDEMPTION

Period Ending	Interest	Principal Redeemed	Total
3/1/2019	\$518,587.50	\$17,760,000.00	\$18,456,187.50

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF STOCKTON
 Arch Road East Community Facilities District No. 99-02
 2007 Special Tax Bonds

Final Maturity Date: September 1, 2037

NOTICE IS HEREBY GIVEN, by the City of Stockton, California (the "City"), on behalf of the Arch Road East Community Facilities District No. 99-02, City of Stockton, San Joaquin County, California, with respect to the above-captioned bonds (the "Bonds"), that it has legally defeased the Bonds set forth below as of December __, 2018. *This notice is not a notice of redemption of any of the Bonds.*

The Bonds that have been legally defeased consist of the following:

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP (861341) *
2019	\$ 315,000	5.250%	MR3
2020	360,000	5.375	MS1
2021	410,000	5.500	MT9
2027	3,675,000	5.850	MU6
2037	13,000,000	5.875	MV4

* CUSIP data are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ. The City and the Fiscal Agent for the Bonds shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Bond; the CUSIP numbers are included solely for the convenience of the owners of the Bonds.

Dated: December __, 2018

WELLS FARGO BANK, NATIONAL
 ASSOCIATION,
 as Fiscal Agent for the Bonds

EXHIBIT C

SCHEDULE OF ESCROWED FEDERAL SECURITIES

Type	Maturity	Coupon	Principal	Price
[to come]	3/1/2019	_____%	\$_____	\$_____