

ESCROW AGREEMENT

by and among

CHULA VISTA PUBLIC FINANCING AUTHORITY

and the

CITY OF CHULA VISTA

and

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Bank**

Dated as of March 1, 2014

Relating to

**CITY OF CHULA VISTA
2002 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY PROJECT)**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of March 1, 2014 (this "Agreement"), is by and among the Chula Vista Public Financing Authority, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Authority"); the City of Chula Vista, a municipal corporation and chartered city duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City") and U.S. Bank National Association, acting in its capacity as escrow bank (the "Escrow Bank") pursuant to this Agreement;

WITNESSETH:

WHEREAS, the City and the Authority have heretofore entered into that certain Lease/Purchase Agreement, dated as of June 1, 2002, as amended and supplemented (the "2002 Lease Agreement"), pursuant to which the Authority agreed to lease to the City certain land and the improvements located thereon; and

WHEREAS, the City has previously caused the delivery of its \$60,145,000 City of Chula Vista 2002 Certificates of Participation (Police Facility Project) (the "2002 Certificates"), which 2002 Certificates were secured by lease payments under and pursuant to the terms of the 2002 Lease Agreement; and

WHEREAS, the City desires to prepay [a portion of] the Lease Payments evidenced by the 2002 Certificates as permitted by the 2002 Lease Agreement and to defease and prepay the outstanding 2002 Certificates maturing on and before August 1, 20__ (the "Prepaid Certificates"); and

WHEREAS, to provide the funds to prepay the Lease Payments and defease and prepay the Prepaid Certificates, the City has caused the execution and delivery of its 2014 Refunding Certificates of Participation (Police Facility Project) (the "2014 Certificates") in accordance with the Amended and Restated Trust Agreement, dated as of March 1, 2014 (the "Trust Agreement"), by and among the City, the Authority and U.S. Bank National Association as trustee (the "Prior Trustee"); and

WHEREAS, the City proposes to make the deposit of moneys and Investment Securities to secure the prepayment of the Lease Payments under the 2002 Lease Agreement which are evidenced by the Prepaid Certificates, and to appoint the Escrow Bank as its agent for the purpose of applying said deposit in accordance with the instructions provided by this Escrow Agreement and the Escrow Bank desires to accept said appointment; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Agreement; and

WHEREAS, the Authority and the City have determined that all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every

requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Authority and the Escrow Bank agree as follows:

SECTION 1. Deposit of Moneys.

(a) As used herein, the term "Investment Securities" means the investment securities set forth in Schedule A hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The City hereby deposits with the Escrow Bank \$_____ of the net sale proceeds of the 2014 Certificates to be held in irrevocable escrow by the Escrow Bank separate and apart from other funds of the City, the Authority, the Escrow Bank, and the Prior Trustee, in a fund hereby created and established and to be known as the "Escrow Fund", and to be applied solely as provided in this Agreement. Such moneys are at least equal to an amount sufficient to purchase the principal amount of Investment Securities set forth in Schedule A hereto; and the aggregate principal amount of Investment Securities described in Schedule A hereto, together with all interest due or to become due on such Investment Securities, plus \$_____ held as cash, will be sufficient to pay on _____, 2014, the prepayment premium, principal and interest of the Prepaid Certificates maturing on and after August 1, 2014, as shown in the Escrow Fund Cash Flow set forth in Schedule A hereto.

(b) The Escrow Bank hereby acknowledges receipt of the written opinion of Grant Thornton LLP, independent certified public accountants, dated _____, 2014 relating to the Investment Securities (the "Verification Report").

SECTION 2. Use and Investment of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

(a) immediately to invest \$_____ of the monies described in Section 1(a) hereof in the Investment Securities all as set forth in Schedule A hereto and to deposit such Investment Securities in the Escrow Fund and to hold \$_____ uninvested as cash in the Escrow Fund; and

(b) to make the payments required under Section 3 hereof at the times set forth in Section 3 hereof.

SECTION 3. Refunding of the Prepaid Certificates. The City and the Authority hereby direct the Escrow Bank to complete any and all actions necessary in connection with the prepayment of the Prepaid Certificates pursuant to the Trust Agreement on _____, 2014.

SECTION 4. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5. No Reinvestment. The Escrow Bank may not reinvest any uninvested amounts held as cash under this Agreement.

SECTION 6. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, agents, employees

and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Investment Securities, the retention of the Investment Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the City and the Authority shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the City, the Authority or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section 6. The indemnities contained in this Section 6 shall survive the termination of this Agreement.

SECTION 7. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Investment Securities, the retention of the Investment Securities or the proceeds thereof, the sufficiency of the Investment Securities to accomplish the defeasance of the Prepaid Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Authority, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the Investment Securities to accomplish the defeasance of the Prepaid Certificates or to the validity of this Agreement as to the City or the Authority and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City.

The Escrow Bank shall incur no liability for losses arising from any investment made pursuant to this Agreement.

The liability of the Escrow Bank to make the payments required by this Agreement shall be limited to the moneys and Investment Securities in the Escrow Fund.

No provision of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Bank shall not be liable for the accuracy of any calculations provided herein.

Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Bank without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

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 or prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, fees, costs and expenses relating to the purchase of any Investment Securities after the date hereof. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

SECTION 8. Substitution of Investment Securities. At the written request of the City and upon compliance with the conditions hereinafter set forth, the Escrow Bank shall have the power to sell, transfer, request the prepayment or otherwise dispose of some or all of the Investment Securities in the Escrow Fund and to substitute noncallable nonprepayable obligations (the "Substitute Investment Securities") constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America. The foregoing may be effected only if: (i) the substitution of Substitute Investment Securities for the Investment Securities (or Substitute Investment Securities) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Escrow Fund to the trustee for the payment of the principal and/or prepayment price and/or interest on Prepaid Certificates will not be diminished or postponed thereby; (iii) the Escrow Bank shall receive the unqualified opinion of nationally recognized bond counsel to the effect that such disposition and substitution would not adversely affect the exclusion from gross income of interest on Prepaid Certificates, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Agreement; and (iv) the Escrow Bank shall receive from an independent certified public accountant a certification that, immediately after such transaction, the principal of and interest on the Substitute Investment Securities in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or prepayment price and interest on Prepaid Certificates. Any cash from the sale of Investment Securities (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Investment Securities pursuant to this Section 8 to the extent such cash will not be required, in accordance with the Trust Agreement and this Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or prepayment price or interest on Prepaid Certificates shall be paid to the City as received by the Escrow Bank free and clear of any trust, lien, pledge or assignment securing such Prepaid Certificates or otherwise existing under this Agreement. Any other substitution of securities in the Escrow Fund not described in the previous sentence must satisfy the requirements of this Section 8. In no event shall the Escrow Bank invest or reinvest monies held under this Agreement in mutual funds or unit investment trusts.

SECTION 9. Irrevocable Instructions as to Notice. The Escrow Bank hereby acknowledges that upon the funding of the Escrow Fund as provided in this Agreement, the receipt of the opinion described in Section 1(b) of this Agreement and the giving of irrevocable instructions to publish and mail as provided in the Irrevocable Instructions and Request to Prior Trustee attached hereto as Schedule B it is in receipt of the items constituting all of the conditions precedent to the defeasance of the Prepaid Certificates under the Trust Agreement.

SECTION 10. Amendments. This Agreement is made for the benefit of the City and the holders from time to time of the Prepaid Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank, the City and the Insurer, as defined in the Trust Agreement for the 2002 Certificates; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest evidenced and represented by the Prepaid Certificates and the 2014 Certificates will not be adversely affected for federal income tax purposes, the City, the Authority and the Escrow Bank may, with the consent of the Insurer, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Prepaid Certificates any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Prepaid Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section 10.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Prepaid Certificates have been paid in accordance with this Agreement, or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Bank and all amounts owed to the Escrow Bank shall have been paid in full.

SECTION 12. Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Agreement.

SECTION 13. Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign by giving 30 days prior written notice in writing to the City. The Escrow Bank may be removed (1) by (i) filing with the City and the Escrow Bank of an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of the Prepaid Certificates then remaining unpaid, and (ii) the City delivering written notice to the Escrow Bank, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the City or the holders of 5% in aggregate principal amount of the Prepaid Certificates then remaining unpaid.

(b) No resignation or removal of the Escrow Bank shall become effective until a successor Escrow Bank has been appointed hereunder and until the cash and investments held under this Agreement are transferred to the new Escrow Bank. The City or the holders of a majority in principal amount of the Prepaid Certificates then remaining unpaid may, by an instrument or instruments filed with the City, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the City. If no successor Escrow Bank is appointed by the City or the holders of such Prepaid Certificates then remaining unpaid, within 45 days after notice of any such resignation or removal, the holder of any such Prepaid Certificates or any retiring Escrow Bank may apply to a court of competent jurisdiction for the appointment of a successor Escrow Bank.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. This Agreement shall be construed under the laws of the State of California.

SECTION 17. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 18. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the City.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY OF CHULA VISTA, CALIFORNIA

By: _____
Its: Director of Finance

ATTEST:

City Clerk

CHULA VISTA PUBLIC FINANCING
AUTHORITY

By: _____
Its: Executive Director

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Bank

By: _____
Its: Authorized Officer

SCHEDULE A

“Investment Securities” are defined to be, United States Treasury Securities - State and Local Government Series (the “SLGS”).

<u>Settlement Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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ESCROW FUND CASH FLOW

<i>Date</i>	<i>Escrow Requirement</i>	<i>Net Escrow Receipts</i>	<i>Excess Receipts</i>	<i>Excess Balance</i>
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SCHEDULE B

**IRREVOCABLE INSTRUCTIONS AND
REQUEST TO PRIOR TRUSTEE**

_____, 2014

U.S. BANK NATIONAL ASSOCIATION

**ESCROW AGREEMENT
RELATING TO A REFUNDING OF
\$ _____
CITY OF CHULA VISTA
2002 CERTIFICATES OF PARTICIPATION,
(POLICE FACILITY PROJECT)
(the "2002 Certificates")**

Ladies and Gentlemen:

As trustee under that certain Amended and Restated Trust Agreement, dated as of March 1, 2014 (the "Trust Agreement"), you are hereby notified of the irrevocable election of the Chula Vista Public Financing Authority (the "Authority") and the City of Chula Vista (the "City") to deposit funds concurrently with this notice to prepay on _____, 2014 all of the outstanding 2002 Certificates maturing on and prior to August 1, 2029 (the "Prepaid Certificates").

You are hereby irrevocably instructed to mail, as provided in the Trust Agreement, notice of prepayment of the Prepaid Certificates scheduled to be prepaid prior to maturity.

You are hereby further irrevocably instructed to mail, as soon as practicable, a notice to the holders of the Prepaid Certificates (in the form annexed hereto as Exhibit X) that the deposit of investment securities and moneys has been made with U.S. Bank National Association as Escrow Bank and that the projected withdrawals from such escrow have been calculated by on behalf of the City and the Authority to be adequate to pay the principal, prepayment price and interest evidenced and represented by said Prepaid Certificates outstanding as such become due or are subject to prepayment.

CITY OF CHULA VISTA

By: _____
Its: Director of Finance

**CHULA VISTA PUBLIC FINANCING
AUTHORITY**

By: _____
Its: Executive Director

Receipt acknowledged and
consented to:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Authorized Officer

EXHIBIT X

**NOTICE OF DEFEASANCE OF
\$ _____
CITY OF CHULA VISTA
2002 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY PROJECT)
(the "2002 Certificates")**

Notice is hereby given to the holders of the outstanding \$_____ 2002 Certificates of Participation (Police Facility Project) maturing on and prior to August 1, 2029 (the "Prepaid Certificates") that (i) such Prepaid Certificates have been prepaid and defeased; (ii) there has been deposited with U.S. Bank National Association, as Escrow Bank, moneys and investment securities as permitted by the Amended and Restated Trust Agreement, dated as of March 1, 2014 (the "Trust Agreement"), relating to the Prepaid Certificates, in an amount sufficient to prepay all of the Prepaid Certificates maturing on and after August 1, 2014, at the applicable prepayment price contained in the Trust Agreement; and (iii) the Escrow Bank has been irrevocably instructed to prepay all outstanding Prepaid Certificates on _____, 2014.

On _____, 2014, in accordance with the terms of the Trust Agreement, the Trustee mailed a prepayment notice for the Prepaid Certificates.

If you have any questions regarding this notice, please contact the Account Manager, Alicia Estrada, at (213) 615-6018.

Dated this ____ day of _____, 2014.

CITY OF CHULA VISTA

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