

ESCROW DEPOSIT AND TRUST AGREEMENT

Relating to

\$9,960,000

**Certificates of Participation
(2007 Building Acquisition Project)**

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "**Agreement**"), dated as of _____ 1, 2016, is between the CITY OF SANTA ROSA, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (the "**City**"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the Prior Certificates described below (the "**Escrow Agent**") and as successor trustee (the "**Prior Trustee**") for the Prior Certificates.

B A C K G R O U N D :

1. The City previously entered into a Trust Agreement dated as of June 1, 2007 (the "**Prior Trust Agreement**"), with the Santa Rosa Public Financing Authority (the "Authority") and the Prior Trustee, under which \$9,960,000 aggregate principal amount of 2007 Certificates of Participation (Building Acquisition Project) (the "**Prior Certificates**") were executed and delivered for the purpose of financing the acquisition and construction of certain real property and improvements.
2. In order to take advantage of prevailing bond market conditions, the City wishes to refinance the Prior Certificates.
3. To that end, the City has proposed to lease certain real property to the Public Property Financing Corporation of California (the "**Corporation**") in consideration of the payment by the Corporation of an upfront rental payment that is sufficient to provide funds to refinance the Prior Certificates.
4. In order to raise funds for such purpose, and pursuant to a Trust Agreement, dated as of _____ 1, 2016 (the "**Refunding Trust Agreement**"), the City proposes to cause execution and delivery of its City of Santa Rosa 2016 Certificates of Participation (Courthouse Square Project and 2007 Lease Refinancing) in the aggregate principal amount of \$ _____ (the "**Refunding Certificates**").
5. The City wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the principal and interest and premium (if any) with respect to the outstanding Prior Certificates, and to provide certain directions to the Prior Trustee with respect to the Prior Certificates.
6. As a result of the deposit and investment of funds in accordance with this Agreement, the Prior Certificates will be discharged and defeased in accordance with the provisions of Section 14.01 of the Prior Trust Agreement and prepaid in accordance with the provisions of Section 10.1 and Section 10.2 of the Prior Trust Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City and U.S. Bank National Association, as Escrow Bank and Prior Trustee, hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease and prepay the Prior Certificates in accordance with the Prior Trust Agreement. The Escrow Agent is directed to establish an escrow fund (the “**Escrow Fund**”) to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Prior Certificates as set forth below. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium (if any) with respect to the Prior Certificates in accordance with the Prior Trust Agreement.

If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the Prior Certificates, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit and Investment of Amounts in Escrow Fund.* On _____, 2016 (the “**Closing Date**”), the City, pursuant to the Refunding Trust Agreement, will cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the Refunding Certificates.

In addition, the City hereby directs the Prior Trustee to transfer to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____, to be derived from moneys related to the Prior Certificates that are available as a result of the defeasance of the Prior Certificates.

On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A; the federal securities listed on Exhibit A are “Defeasance Obligations” as defined in the Prior Trust Agreement. The Escrow Agent shall hold the remaining \$_____ in cash, uninvested.

SECTION 3. *Application of Amounts in Escrow Fund.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Prior Trustee an amount required to pay the principal of and interest and prepayment premium (if any) on the Prior Certificates, in accordance with the schedule attached as Exhibit B hereto.

Following the payment and prepayment of the Prior Certificates in full, the Escrow Bank shall transfer any amounts remaining on deposit in the Escrow Fund to [Trustee], as trustee for the Refunding Certificates, for deposit in the _____ established under the Refunding Trust Agreement, to be applied to pay interest next coming due and payable on the Refunding Certificates.

SECTION 4. *Irrevocable Election to Prepay Prior Certificates; Defeasance Notice.* The City has irrevocably elected to pay and prepay all of the outstanding Prior Certificates on the date set forth in Exhibit B, in accordance with the provisions of the Prior Trust Agreement. The City previously directed the Prior Trustee to give notice of the prepayment of the Prior Certificates in accordance with the requirements of the Prior Trust Agreement, at the expense of the City, using the form set forth in Exhibit C.

The City further hereby directs the Prior Trustee to file on the Closing Date the notice attached as Exhibit D on the Municipal Securities Rulemaking Board's EMMA system.

SECTION 5. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services 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, substitution or withdrawal of any 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. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 6. *Immunities and Liability of Escrow Bank.* The Escrow Bank undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Bank. The Escrow Bank shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special, indirect or consequential damages. The Escrow Bank shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Bank may consult with legal counsel of its own choice and the Escrow Bank shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Bank shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and prepayment premium with respect to the Prior Certificates.

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 not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Bank in good faith reliance thereon.

The Escrow Bank may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Bank in connection with this Agreement and believed by the Escrow Bank to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Bank may execute any of the

trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care.

The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Bank may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The City shall indemnify, defend and hold harmless the Escrow Bank and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Bank for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Bank directly or indirectly relating to, or arising from, claims against the Escrow Bank by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Bank's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Bank.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without

limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 7. *Termination of Agreement.* Upon payment in full of the principal of and interest and prepayment premium on the Prior Certificates and all fees, expense and charges of the Escrow Bank as described above, this Agreement shall terminate and the Escrow Bank shall be discharged from any further obligation or responsibility hereunder.

SECTION 8. *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 9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF SANTA ROSA

By: _____
Finance Director

**U.S. BANK NATIONAL
ASSOCIATION**, as Escrow Agent and
as Prior Trustee

By _____
Authorized Officer

EXHIBIT A

ESCROW SECURITIES

Type of Security	Purchase Date	Maturity Date	First Int Pmt Date	Par Amount	Rate	Purchase Price
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EXHIBIT B

ESCROW REQUIREMENTS

Payment <u>Date</u>	Interest <u>Payment</u>	Principal <u>Payment</u>	Prepaid <u>Principal</u>	Prepayment <u>Premium</u>	Total <u>Payment</u>
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EXHIBIT C**FORM OF NOTICE OF PREPAYMENT****\$9,960,000****2007 City of Santa Rosa Certificates of Participation
(Building Acquisition Project)****Original Date of Execution and Delivery: June 28, 2007**

NOTICE IS HEREBY GIVEN, by the City of Santa Rosa (the "City") that all of the captioned certificates of participation (the "2007 Certificates") have been called for prepayment under and within the meaning of the Trust Agreement, dated as of January 1, 2007 (the "2007 Trust Agreement"), on _____ 1, 2016 (the "Prepayment Date"), at a prepayment price equal to the par amount thereof together with accrued interest thereon to the prepayment date, without premium (the "Prepayment Price").

The 2007 Certificates consist of the following:

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
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On the Prepayment Date, the Prepayment Price will become due and payable upon each 2007 Certificate called for prepayment and interest with respect thereto will cease to accrue from and after the Prepayment Date.

The CUSIP number of the 2007 Certificates has been assigned by an independent service and is included in this notice solely for the convenience of the Owners and neither U.S. Bank National Association, as trustee for the 2007 Certificates (the "2007 Trustee") or the City of Santa Rosa shall be liable for any inaccuracies in such numbers.

Prepayment of the 2007 Certificates as described in this notice shall be conditioned upon the receipt by the 2007 Trustee from the City of the funds necessary for the proposed prepayment on or before the Prepayment Date.

Payment of the Prepayment Price of the 2007 Certificates called for prepayment will become due and payable on the Prepayment Date upon presentation and surrender thereof in the following manner:

If by Mail: (REGISTERED CERTIFICATES)

U. S. Bank Trust National
Association
Corporate Trust Services
P. O. Box 64111
St. Paul, MN 55164-0111

If by Hand or Overnight Mail:

U.S. Bank Corporate Trust
Services 60 Livingston Avenue
1st FL - Bond Drop Window
St. Paul, MN 55107

Please call Bondholder Services at (800) 934-6802 with any questions.

Holders of the 2007 Certificates presenting their 2007 Certificates in person for same day payment **must** surrender their bond(s) by 1:00 P.M. CST on the Prepayment Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the certificate holders via first class mail. If payment of the Prepayment Price is to be made to the registered owner of the 2007 Certificate, you are not required to endorse the 2007 Certificate to collect the Prepayment Price.

Interest on the principal amount designated to be prepaid shall cease to accrue on and after the Prepayment Date.

IMPORTANT NOTICE

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), 28% will be withheld if tax identification number is **not** properly certified.

Dated: _____, 2016

U.S. BANK NATIONAL ASSOCIATION

EXHIBIT D**FORM OF NOTICE OF DEFEASANCE****\$9,960,000****2007 Certificates of Participation
(Building Acquisition Project)****Original Date of Execution and Delivery: June 28, 2007**

NOTICE IS HEREBY GIVEN, by the City of Santa Rosa (the "City") that the captioned certificates of participation (the "2007 Certificates") have been defeased and discharged under and within the meaning of the Trust Agreement, dated as of June 1, 2007, relating to the 2007 Certificates (the "2007 Trust Agreement"). Funds for the payment of the 2007 Certificates have been deposited with U.S. Bank National Association, as escrow bank, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the 2007 Certificates has been verified by _____, certified public accountants.

As a consequence of the foregoing actions and in accordance with the 2007 Trust Agreement, all obligations of U.S. Bank National Association, as successor trustee for the 2007 Certificates, the Santa Rosa Public Financing Authority and the City with respect to the 2007 Certificates has ceased and terminated, except the obligation to use moneys set aside in escrow as described above and, if necessary, from other legally available funds of the City.

The outstanding 2007 Certificates consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
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The CUSIP number of the 2007 Certificates has been assigned by an independent service and is included in this notice solely for the convenience of the Owners and neither U.S. Bank National Association, as trustee for the 2007 Certificates (the "2007 Trustee") or the City of Santa Rosa shall be liable for any inaccuracies in such numbers.

The City has irrevocably elected to prepay all of the outstanding 2007 Certificates on _____ 1, 2016, at a prepayment price equal to the par amount thereof together with accrued interest thereon to the prepayment date, without premium.

Please call Bondholder Services at (800) 934-6802 with any questions.

Dated: _____, 2016

U.S. BANK NATIONAL ASSOCIATION