

ESCROW DEPOSIT AND TRUST AGREEMENT

by and between

THE SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY

and

MUFG UNION BANK, N.A.

Dated as of _____ 1, 2017

Relating to

SAN MARCOS REDEVELOPMENT AGENCY
HOUSING SET-ASIDE
TAX ALLOCATION BONDS, SERIES 2010 (TAXABLE)

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this “Agreement”), dated as of _____ 1, 2017, by and between the SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY, a public entity existing under the laws of the State of California (the “Successor Agency”), as successor agency to the SAN MARCOS REDEVELOPMENT AGENCY (the “Former Agency”) and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as trustee for the Prior Bonds (defined below) and as escrow bank hereunder (as applicable, the “Prior Trustee” or the “Escrow Bank”);

WITNESSETH

WHEREAS, the Former Agency has previously issued its \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the “Prior Bonds”) for the purpose of financing the acquisition and construction of affordable housing, pursuant to a Trust Indenture, dated as of December 1, 2010, between the Former Agency and the Prior Trustee, formerly known as Union Bank, N.A. (the “Prior Indenture”); and

WHEREAS, by implementation of California Assembly Bill X1 26, which amended provisions of the California Redevelopment Law, (found at Health and Safety Code Section 33000, et seq.) and the California Supreme Court’s decision in California Redevelopment Association v. Matosantos, the Former Agency was dissolved on February 1, 2012 in accordance with California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 (“AB 26”), and on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26, assumed the duties and obligations set forth in AB 26 for the Former Agency, including, without limitation, the obligations of the Former Agency under the Prior Indenture and related documents to which the Former Agency was a party; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the Prior Bonds; and

WHEREAS, in order to provide funds for such purpose, the Successor Agency is issuing the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017 (the “Refunding Bonds”) and applying a portion of the proceeds thereof, together with certain other moneys, for the purpose of redeeming the Prior Bonds on October 1, 2020 (the “Redemption Date”) at a redemption price of 100% (the “Redemption Price”) of par plus accrued interest to the Redemption Date as required under the Prior Indenture; and

WHEREAS, the Refunding Bonds are being issued pursuant to a First Supplemental Indenture of Trust, dated as of _____ 1, 2017, by and between the Successor

Agency and MUFG Union Bank N.A., as trustee (the "Trustee"), to amend and supplement the Indenture of Trust, dated as of July 1, 2015 (as amended and supplemented by the First Supplemental Indenture, the "Indenture"), by and between the Successor Agency and the Trustee to provide for the issuance of the Refunding Bonds on a parity with the Successor Agency's Tax Allocation Refunding Bonds, Series 2015A and the Successor Agency's Taxable Tax Allocation Refunding Bonds, Series 2015B previously issued pursuant to the Indenture; and

WHEREAS, the Successor Agency and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the redemption of the Prior Bonds in full, pursuant to and in accordance with the provisions of the Prior Indenture.

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 are hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Definition of Defeasance Securities. As used herein, the term "Defeasance Securities" means any of the following, or a combination thereof; (a) cash, (b) State and Local Government Series securities issued by the United States Treasury, (c) United States Treasury bills, notes and bonds, as traded on the open market, which are not subject to optional call or redemption, and (d) zero coupon United States Treasury Bonds.

Section 2. Establishment of Escrow Fund. There is hereby created the Escrow Fund (the "Escrow Fund") to be held by the Escrow Bank as an irrevocable escrow securing the payment of the Prior Bonds as hereinafter set forth until the Redemption Price of the Prior Bonds plus accrued interest has been paid in full. All cash in the Escrow Fund is hereby irrevocably pledged as a special fund for the payment of Redemption Price plus accrued interest on the Prior Bonds on the Redemption Date in accordance with the provisions of the Prior Indenture and this Escrow Agreement. If at any time the Escrow Bank shall receive actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payments required by Section 4 hereof, the Escrow Bank shall notify the Successor Agency of such fact and the Successor Agency shall immediately cure such deficiency from any source of legally available funds.

Section 3. Deposit into Escrow Fund. On _____, 2017 (the "Closing Date"), MUFG Union Bank, N.A. acting in its capacity as the Prior Trustee for the Prior Bonds, is hereby instructed to withdraw from accounts established under the Prior Indenture the following amounts: (i) \$_____ from the Reserve Account, (ii) \$_____ from the Interest Account, (iii) \$_____ from the Principal Account and (iv) \$_____ from the Debt Service Fund and transfer such amounts to the Escrow Bank for deposit into the Escrow Fund.

On the Closing Date, the Trustee shall be directed by the Successor Agency to transfer \$_____ of the proceeds of the Refunding Bonds to the Escrow Bank for deposit into the Escrow Fund.

The Escrow Bank shall acquire \$[_____] in Defeasance Securities in the form of open market Defeasance Securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Defeasance Securities"). The remainder in the

Escrow Fund (\$[____]) shall be held in cash uninvested (the “Cash”). The Cash shall be held by the Escrow Bank in the Escrow Fund therein solely for the uses and purposes set forth herein. The Escrowed Defeasance Securities 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 not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 4. Instructions as to Application of Deposit. The Successor Agency hereby irrevocably directs and instructs the Escrow Bank to apply the interest on and maturing principal amount of the Escrowed Defeasance Obligations and cash to pay the Prior Bonds through October 1, 2020, and to redeem the outstanding Prior Bonds in full on October 1, 2020, at a redemption price of 100% of the principal amount thereof, all as more particularly set forth in Exhibit B attached hereto and hereby made a part hereof.

For such purpose of call and redemption prior to maturity of the Prior Bonds, the Successor Agency hereby instructs the Prior Trustee, and the Prior Trustee hereby agrees to cause to be given a notice of redemption of the Prior Bonds on or before September 1, 2020, such notice of redemption to be given substantially in the form set forth in Exhibit C attached hereto and hereby made a part hereof and timely for redemption of the Prior Bonds on October 1, 2020, in accordance with the applicable provisions of the Prior Indenture and to the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Section 5. Application of Certain Terms of Prior Issuance Documents. Except as may be modified herein, all of the terms of the Prior Indenture relating to the redemption of the Prior Bonds are incorporated in this Agreement as if set forth in full herein. The provisions of the Prior Indenture relating to the limitations from liability and protections afforded the Prior Trustee and the resignation and removal of the Prior Trustee are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.

Section 6. Compensation to Escrow Bank. The Successor Agency shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption 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 7. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the Successor Agency shall have deposited sufficient funds therefor with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Successor Agency or its agents relating to any matter or action as Escrow Bank under this Agreement.

The Escrow Bank may consult with counsel of its own choice (which may be counsel to the Successor Agency) 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.

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

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 principal and interest on the Prior Bonds.

The Escrow Bank shall not be liable for any action or omission of the Successor Agency under this Agreement or the Prior Bonds.

Whenever in the administration of this Agreement the Escrow Bank shall deem 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 Successor Agency, and such certificate shall, 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.

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 action, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank which the Escrow Bank in good faith believes was 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.

The Escrow Bank may at any time resign by giving written notice to the Successor Agency of such resignation. The Successor Agency shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by a successor Escrow Bank. If the Successor Agency does not 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 Successor Agency may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the Successor Agency appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the Successor Agency shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

The Successor Agency covenants to indemnify and hold harmless the Escrow Bank against any loss, liability or expense, including legal fees, incurred 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.

The Escrow Bank shall furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Bank or brokers selected by the Successor Agency. Upon the Successor Agency's election, such statements will be delivered via the Escrow Bank's online service and upon electing such service, paper statements will be provided only upon request. The Successor Agency waives the right to receive brokerage confirmations of security transactions effected by the Escrow Bank as they occur, to the extent permitted by law. The Successor Agency further understands that trade confirmations for securities transactions effected by the Escrow Bank will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 8. Amendment. This Agreement may be amended by the parties hereto, but only if there shall have been filed with the Successor Agency and the Escrow Bank a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the Prior Bonds.

Section 9. Merger or Consolidation. 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 and vested with all of the title to the trust estate and all of the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

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. Headings. Any heading preceding the text of the several Sections hereof, any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

Section 12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 13. Termination of Agreement. When the Escrow Agent shall have transferred, pursuant to Section 4 hereof, such moneys as are required to pay the Prior Bonds through October 1, 2020 and to redeem the outstanding Prior Bonds in full on October 1, 2020, the Escrow Agent, after payment of all fees and expenses of the Escrow Agent, shall, in accordance with Section 10.03 of the Prior Indenture, immediately transfer the moneys, if any, remaining in the Escrow Fund to the Successor Agency and this Escrow Agreement shall terminate.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Successor Agency and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

SUCCESSOR AGENCY TO THE SAN MARCOS
REDEVELOPMENT AGENCY

By: _____
Authorized Officer

MUFG UNION BANK, N.A.,
as Escrow Bank, Trustee and Prior Trustee

By: _____
Authorized Officer

*-Signature Page-
Escrow Agreement*

EXHIBIT A
DESCRIPTION OF THE ESCROWED DEFEASANCE SECURITIES
AS OF _____, 2017

EXHIBIT B
ESCROW FUND DISBURSEMENT REQUIREMENTS FOR THE PRIOR BONDS

Payment <u>Date</u>	<u>Maturing Principal</u>	<u>Principal Redeemed</u>	<u>Interest</u>	<u>Total</u>
4/1/2018			\$1,731,684.38	\$1,731,684.38
10/1/2018	\$2,125,000		1,731,684.38	3,856,684.38
4/1/2019			1,666,606.25	1,666,606.25
10/1/2019	2,255,000		1,666,606.25	3,921,606.25
4/1/2020			1,593,318.75	1,593,318.75
10/1/2020	2,405,000	\$36,980,000	1,593,318.75	40,978,318.75
Totals	\$6,785,000	\$36,980,000	\$9,983,218.76	\$53,748,218.76

**EXHIBIT C
NOTICE OF REDEMPTION**

TO THE OWNERS OF

**SAN MARCOS REDEVELOPMENT AGENCY
HOUSING SET-ASIDE TAX ALLOCATION BONDS, SERIES 2010 (TAXABLE)**

Date of Notice:

Date of Issuance: **January 24, 2011**

Date of Redemption: **October 1, 2020**

NOTICE IS HEREBY GIVEN that pursuant to Section 2.02 of the Trust Indenture, dated as of December 1, 2010, by and between MUFG Union Bank, N.A., formerly known as Union Bank, N.A., as trustee (the “Trustee”), and the San Marcos Redevelopment Agency (the “Agency”), the outstanding principal amount of the above-captioned bonds (the “Bonds”) will be redeemed on October 1, 2020 (the “Redemption Date”) at the referenced price noted below, together with accrued interest to the Redemption Date. The record date is September 15, 2020.

The maturity dates, CUSIP numbers, principal of and interest rate on the Bonds are listed below:

<u>Maturity (October 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Redemption Price</u>	<u>CUSIP®*</u>
2021	\$2,565,000	7.000	100%	798754DK0
2026	16,105,000	8.000	100%	798754DL8
2030	18,310,000	8.500	100%	798754DM6

On the Redemption Date there shall become due and payable on each Bond called for redemption, the Redemption Price stated above (representing the principal thereof) and interest accrued to the Redemption Date, and from and after such date, interest thereon shall cease to accrue and be payable.

The Bonds must be surrendered at the principal corporate office of MUFG Union Bank, N.A., as Trustee, at the following address by U.S. Mail, Certified Mail, Registered Mail, Overnight Express or Delivery in Person:

MUFG Union Bank
Attn: Corporate Trust
445 S. Figueroa Street, Suite 401
Los Angeles, California 90071
Attn: Bond Redemption

To avoid a 28% back-up withholding tax required by Federal law, holders of Bonds must submit with their Bonds a completed IRS Form W-9.

* *The CUSIP number has been assigned by CUSIP Global Services and is included solely for the convenience of the holders of Bonds. The Agency and the Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in this notice or as printed on the Bonds.*

Dated:

MUFG UNION BANK, N.A., as Trustee