

COSTA MESA PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

ESCROW AGREEMENT

Dated as of ~~January 1, 2004~~ December 1, 2005

relating to

\$3,225,000
(original principal amount)
Costa Mesa Public Financing Authority
1991 Local Agency Revenue Bonds, Series A

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ESCROW AGREEMENT

This ESCROW AGREEMENT, dated as of ~~January~~ December 1, ~~2004,~~2005, between COSTA MESA PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under the laws of the State of California (the "Authority") and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States and acting in its capacity as trustee with respect to the Bonds described below (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is currently obligated to make certain payments with respect to the Costa Mesa Public Financing Authority 1991 Local Agency Revenue Bonds, Series A (the "Bonds"), originally issued in the aggregate principal amount of \$3,225,000 pursuant to that certain Indenture of Trust, dated as of October 1, 1991, as supplemented by the First Supplemental Indenture of Trust dated as of October 1, 1991 (the "Indenture"), between the Authority and the Trustee, as successor in interest to Security Pacific National Bank, \$2,670,000 principal amount of which remains outstanding (the "Refunded Bonds");

WHEREAS, the Authority has taken action to cause to be issued or delivered to the Trustee, for deposit in or credit to a special trust fund to be created hereunder to be known as the "Escrow Fund," to be maintained by the Trustee (the "Escrow Fund") cash, a portion of which will be invested in certain Federal Securities (as defined in the Indenture), as listed on **Exhibit A** attached hereto and made a part hereof (the "Escrow Securities"), the maturing principal amount of which, together with uninvested cash, will be sufficient to pay when due the principal of and interest on the Refunded Bonds through February 1, ~~2004~~2006 (the "Redemption Date") and to redeem the Refunded Bonds on the Redemption Date at a redemption price of 100% of the outstanding principal amount of the Refunded Bonds (the "Redemption Price"), together with interest accrued thereon to the Redemption Date;

WHEREAS, in accordance with Section 4.03 of the Indenture, the Authority has delivered a written order to the Trustee, stating its election to redeem the Refunded Bonds on the Redemption Date and directing the Trustee to give conditional notice of redemption to the registered owners of the Refunded Bonds, which written order is attached hereto as **Exhibit B** hereto;

WHEREAS, the Trustee has caused to be mailed the notice of optional redemption of the Refunded Bonds in the form, at the time and in the manner required by the Indenture;

NOW, THEREFORE, the Authority and the Trustee hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund. The Trustee agrees to establish and maintain until all of the Refunded Bonds have been paid in full a fund designated as the "Escrow Fund," and to hold the securities, investments and moneys therein at all times as a special and separate trust fund (wholly segregated from all other securities, investments or moneys on deposit with the Trustee). All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Sections 2, 4 and 5 hereof, to secure the payment of the Refunded Bonds.

On ~~January~~December, 2004,~~2005~~, the Authority shall cause to be transferred to the Trustee, and upon receipt thereof the Trustee shall deposit in the Escrow Fund, a portion of the proceeds of the Costa Mesa Public Financing Authority Revenue Refunding Bonds, Series 2004~~2005~~A, in the amount of \$_____. The Authority hereby authorizes and directs the Trustee to transfer to the Escrow Fund, from amounts on deposit in the Reserve Fund held under the Indenture, the amount of \$_____ on ~~January~~December, 2004,~~2005~~, for a total deposit of \$_____ to the Escrow Fund on such date. The Trustee shall immediately apply a portion of such amount to acquire the Escrow Securities listed on **Exhibit A** and shall hold the remaining cash uninvested. The Trustee shall transfer all remaining amounts, if any, in the funds and accounts established pursuant to the Indenture to the Authority on ~~January~~December, 2004,~~2005~~.

Section 2. Investment of the Escrow Fund.

(a) The Authority and the Trustee each shall take all remaining necessary action to have issued and registered in the name of the Trustee, for the account of the Escrow Fund, the Escrow Securities listed on **Exhibit A** attached hereto and shall hold in cash the amount specified in Section 1 hereof.

(b) Except as otherwise provided in this subsection and Section 5, the Trustee shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested. The Trustee shall, upon written request of the Authority, reinvest any cash portion of the Escrow Fund in Federal Securities (as defined in the Indenture), provided that the Trustee receives (i) an opinion of nationally recognized bond counsel to the effect that such reinvestment will not result in the inclusion of interest payable on the Bonds in gross income for federal income tax purposes and (ii) a report of nationally recognized independent certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amount of securities, investments and moneys on deposit in the Escrow Fund to pay when due the principal of and interest on the Refunded Bonds to and including the Redemption Date and to redeem the Refunded Bonds on the Redemption Date at the Redemption Price, together with interest accrued thereon to the Redemption Date.

(c) The Trustee 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.

(d) The Trustee may rely upon the Cash Flow Certificate set forth in **Exhibit C** that the Escrow Securities listed on **Exhibit A** will mature in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due the principal of and interest on the Refunded Bonds to the Redemption Date and to redeem the Refunded Bonds on the Redemption Date at the Redemption Price, together with interest accrued thereon to the Redemption Date.

Section 3. Payment and Redemption of the Refunded Bonds.

(a) The Authority hereby requests and irrevocably instructs the Trustee, and the Trustee hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on all Escrow Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and to apply, subject to the provisions of Sections 2, 4 and 5 hereof, such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to pay when due the principal of and interest on the Refunded Bonds

to the Redemption Date and to redeem the Refunded Bonds on the Redemption Date at the Redemption Price, together with interest accrued thereon to the Redemption Date, at the places and in the manner stipulated in the Indenture, including the notice requirements contained therein. The parties acknowledge that the Authority has notified the Trustee in a timely fashion of its intention to redeem the Refunded Bonds; that the Authority has requested the Trustee to mail notice of redemption, pursuant to the written order attached hereto as **Exhibit B**; and the Trustee has duly given notice of redemption of the Refunded Bonds, in accordance with the provisions of the Indenture. The Trustee hereby waives any provision of the Indenture requiring delivery of the written order attached as **Exhibit B** at least 45 days prior to the Redemption Date. The Authority hereby also requests and irrevocably instructs the Trustee to execute the Certificate Regarding Termination and Discharge of Indenture, attached hereto as **Exhibit D**.

(b) The Trustee hereby certifies that the Redemption Price, plus accrued interest on the Refunded Bonds to the Redemption Date, will be \$_____. The Trustee understands that a cash flow consultant of the Authority will rely on such certification in delivering the Cash Flow Certificate attached as **Exhibit C**.

Section 4. Transfer of Funds After Redemption of Refunded Bonds. The Authority hereby requests and irrevocably instructs the Trustee, and the Trustee hereby agrees to transfer any money or securities remaining in the Escrow Fund after the redemption of the Refunded Bonds to the Authority, subject to Section 10 hereof.

Section 5. Substitution of Securities. Except as provided in Sections 1 and 2 hereof and in this Section, the Trustee shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of or make substitutions of the investments initially required to be made therewith. Upon the written request of the Authority, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Trustee shall sell, redeem or otherwise dispose of the Escrow Securities, provided that there are substituted therefor from the proceeds of the Escrow Securities other Federal Securities (as defined in the Indenture). The Trustee shall purchase such substituted securities with the proceeds derived from the sale, transfer, disposition or redemption of the Escrow Securities. The amounts realized from the disposition of the Escrow Securities and purchase of substitute securities, together with the earnings thereon not required by the Trustee to fulfill its obligations hereunder, shall immediately be released to the Authority. The disposition and substitution may be effected only after the Trustee receives (i) an opinion of nationally recognized bond counsel to the effect that such disposition and substitution will not result in the inclusion of interest payable on the Bonds in gross income for federal income tax purposes and (ii) a report of nationally recognized independent certified public accountants to the effect that such disposition and substitution will not adversely affect the sufficiency of the amount of securities, investments and moneys on deposit in the Escrow Fund to pay when due the principal of and interest on the Refunded Bonds to the Redemption Date and to redeem the Refunded Bonds on the Redemption Date at the Redemption Price, together with interest accrued thereon to the Redemption Date. The Trustee shall not be liable or responsible for any loss resulting from any disposition or substitution made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 6. Fees and Costs.

(a) The Trustee's annual fees and costs for acting as Trustee under this Escrow Agreement are to be agreed upon by the Trustee and the Authority and paid by the Authority. The

rights, duties and obligations of the Trustee shall, except as otherwise expressly provided herein, be governed by the Indenture. The annual fees and costs of the Trustee for any other duties to be carried out by it under the Indenture shall continue as previously agreed upon between the Trustee and the Authority.

(b) The Trustee shall also be entitled to payment by the Authority of additional reasonable fees and reimbursements for costs incurred, including but not limited to legal and accountants' services in connection with any litigation not arising from the Trustee's negligence or misconduct which may at any time be instituted involving this Escrow Agreement.

(c) The fees of and the costs incurred by the Trustee shall in no event be deducted or payable from or constitute a lien against the Escrow Fund.

Section 7. Indemnification. The Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and hold harmless the Trustee and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements whether incurred prior to trial, at trial, or on appeal or in any bankruptcy or arbitration proceedings) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Trustee (whether or not also indemnified against by the Authority or any other person under any other agreement or instrument), and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Trustee in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Trustee made in good faith in the conduct of its duties; provided, however, that the Authority shall not be required to indemnify the Trustee against its own negligence or misconduct. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

Section 8. Resignation of the Trustee. The Trustee may resign and be discharged of its duties hereunder if and at such time as the Trustee shall resign or be discharged as trustee under the Indenture in accordance with the provisions of the Indenture. Any successor trustee under the Indenture shall succeed as the Trustee under this Escrow Agreement.

Section 9. Merger or Consolidation of Trustee. Any company into which the Trustee 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall be the successor hereunder to the Trustee without the execution or filing of any paper or any further act.

Section 10. Termination; Unclaimed Money. This Escrow Agreement shall terminate when the Redemption Price of and interest on all Refunded Bonds have been paid; provided, that money held by the Trustee in the Escrow Fund for the payment and discharge of any of the Refunded Bonds which remains unclaimed shall be disposed of in accordance with the terms of the Indenture.

Section 11. Capacity of Trustee. The Trustee is entering into the Escrow Agreement in its capacity as trustee under the Indenture. Subject to the provisions of Sections 4, 5, and 10 hereof,

moneys held by the Trustee hereunder are to be held and applied for the payment of the Refunded Bonds in accordance with the Indenture.

Section 12. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

Section 13. Amendment. The parties hereto may, without the consent of or notice to the holders of the unpaid Bonds, enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders hereunder and shall not be inconsistent with the terms and provisions of this Escrow Agreement, for any one or both of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Escrow Agreement; and

(b) to grant or confer upon the Trustee for the benefit of the holders of the Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Trustee.

The Trustee shall enter into such agreements only upon receipt of, and shall be entitled to rely conclusively upon, an opinion of nationally recognized bond counsel to the effect that any such agreement complies with this Section, and does not adversely affect the rights of the holders of the Bonds.

Section 14. Execution of Counterparts. This Escrow Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 15. Notice to the Trustee and the Authority. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071 Attention: Corporate Trust Services, or as otherwise specified by the Trustee in accordance with the provisions of the Indenture. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to the Authority to Attention: Executive Director (or at such other address as may have been filed in writing by the Authority with the Trustee).

Section 16. Governing Law. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, COSTA MESA PUBLIC FINANCING AUTHORITY has caused this Escrow Agreement to be signed by its duly authorized representative, and U.S. BANK NATIONAL ASSOCIATION has caused this Escrow Agreement to be signed in its name by its duly authorized officer all as of the day and year first above written.

COSTA MESA PUBLIC FINANCING
AUTHORITY

By: _____
Authorized Representative

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

ESCROW SECURITIES

<i>Description</i>	<i>Maturity Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Cost</i>
		\$	%	

EXHIBIT B

**WRITTEN ORDER OF THE AUTHORITY REGARDING REDEMPTION
OF BONDS**

TO: U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the "Trustee") under that certain Indenture of Trust, dated as of October 1, 1991, as supplemented by the First Supplemental Indenture of Trust dated as of October 1, 1991 (the "Indenture"), by and between the Costa Mesa Public Financing Authority (the "Authority") and Security Pacific National Bank, predecessor in interest to the Trustee.

Pursuant to Section 4.03 of the Indenture, the Authority hereby elects to redeem all of the outstanding Costa Mesa Public Financing Authority 1991 Local Agency Revenue Bonds, Series A (the "Bonds") on February 1, ~~2003~~2006 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof (the "Redemption Price"), plus accrued interest thereon. You are hereby authorized and irrevocably instructed to give notice of such redemption in accordance with the Indenture; provided, however, that such notice shall expressly state that such redemption shall be conditioned upon the receipt by you of sufficient funds to pay the Redemption Price plus accrued interest on the Redemption Date. By signifying your acceptance of this Written Order below, you waive the right to notice of the Authority's election to redeem the Bonds 45 days in advance of the Redemption Date.

Upon the deposit in escrow of money or securities, or both, as described in that certain escrow agreement, between the Authority and the Trustee, relating to the refunding of the Bonds, you are hereby requested to execute and deliver a certificate certifying the satisfaction and discharge of the Indenture, in the form set forth as Exhibit D to said escrow agreement.

All terms used but not defined herein shall have the meanings given in the Indenture.

Dated: December ____, ~~2003~~2005.

COSTA MESA PUBLIC FINANCING
AUTHORITY

By: _____
Authorized Officer

Accepted:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT C

CASH FLOW CERTIFICATE REGARDING ESCROW AGREEMENT

TO: U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the "Trustee") under that certain Indenture of Trust, dated as of October 1, 1991, as supplemented by the First Supplemental Indenture of Trust dated as of October 1, 1991 (the "Indenture"), by and between the Costa Mesa Public Financing Authority (the "Authority") and Security Pacific National Bank, predecessor in interest to the Trustee.

This Cash Flow Certificate is being delivered in connection with the refunding of all of the Costa Mesa Public Financing Authority 1991 Local Agency Revenue Bonds, Series A (the "Bonds"). Pursuant to Section 10.01 of the Indenture, the undersigned hereby certifies that the maturing principal of and interest (if any) on the Federal Securities deposited in escrow pursuant to that certain escrow agreement, dated as of ~~January~~December 1, ~~2004~~2005 (the "Escrow Agreement"), between you and the Authority, together with the uninvested cash held by you in trust under the Escrow Agreement, will be sufficient to pay when due the principal (if any) of and interest (if any) on, the Refunded Bonds through and including the Redemption Date and will be sufficient to pay the Redemption Price of the Refunded Bonds on the Redemption Date, plus accrued interest to the Redemption Date. The undersigned has relied upon the certification of the Trustee contained in the Escrow Agreement as to the amount of the Redemption Price and the accrued interest on the Refunded Bonds to the Redemption Date, and this Cash Flow Certificate is conditioned upon the accuracy of such certification.

Dated: ~~January~~ __, 2004:December __, 2005.

HARRELL & COMPANY ADVISORS, LLC

By: _____
Its: _____

EXHIBIT D

**CERTIFICATE REGARDING
TERMINATION AND DISCHARGE OF INDENTURE**

The undersigned, as successor trustee under that Indenture of Trust, dated as of October 1, 1991, as supplemented by the First Supplemental Indenture of Trust dated as of October 1, 1991 (the "Indenture"), by and between the Costa Mesa Public Financing Authority (the "Authority") and the undersigned, as successor in interest to Security Pacific National Bank, as trustee, and providing for the issuance of the Costa Mesa Public Financing Authority 1991 Local Agency Revenue Bonds, Series A (the "Bonds"), hereby acknowledges, pursuant to Article X of the Indenture, that the Indenture and the lien created thereby has been completely discharged and satisfied and the Authority has been released from the agreements, conditions, covenants and terms of the Authority contained in the Indenture, except only as provided for in Article X of the Indenture.

Dated: ~~January __, 2004.~~ December __, 2005.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

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Statistics:	
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