

*Stradling Yocca Carlson & Rauth
Draft of 8/16/17*

ESCROW AGREEMENT (2007 CERTIFICATES)

By and Between

CITY OF COSTA MESA

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent**

Dated as of October 1, 2017

Relating to

**CITY OF COSTA MESA
2007 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY EXPANSION PROJECT)**

ESCROW AGREEMENT (2007 CERTIFICATES)

THIS ESCROW AGREEMENT (2007 CERTIFICATES), dated as of October 1, 2017 (the “**Escrow Agreement**”), by and between the City of Costa Mesa (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”) and as Prior Trustee (as such term is defined below), is entered into in accordance with a resolution of the City Council of the City adopted on September 19, 2017 and an Indenture, dated as of October 1, 2017 (the “**Indenture**”), by and among the City, the Costa Mesa Financing Authority (the “**Authority**”) and U.S. Bank National Association, as trustee, to prepay on November [4], 2017 (the “**Prepayment Date**”) the City of Costa Mesa 2007 Certificates of Participation (Police Facility Expansion Project) (the “**2007 Certificates**”) at a price equal to the principal amount thereof plus interest accrued with respect thereto, without premium (the “**Prepayment Price**”). The 2007 Certificates were executed and delivered pursuant to an Amended and Restated Trust Agreement, dated as of January 1, 2007 (the “**2007 Trust Agreement**”), by and among the City, the Costa Mesa Public Financing Authority (the “**PFA**”) and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Prior Trustee**”).

RECITALS

A. The 2007 Certificates were executed and delivered in the aggregate principal amount of \$29,960,000, of which \$18,295,000 is currently outstanding.

B. The Authority has determined to issue its 2017 Lease Revenue Bonds in the aggregate principal amount of \$_____ (the “**2017 Bonds**”), a portion of the proceeds of which will be used to optionally prepay the 2007 Certificates on the Prepayment Date at the Prepayment Price.

C. By irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2007 Trust Agreement), which moneys will be [used to purchase securities as described in Exhibit 1 hereto (the “**Federal Securities**”), which Federal Securities satisfy the criteria for “Defeasance Securities” that is set forth in Section 14.01 of the 2007 Trust Agreement, provided that the principal of and the interest on the Federal Securities when paid will provide money which, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Escrow Agreement, will be] fully sufficient to pay the Prepayment Price of the 2007 Certificates on the Prepayment Date.

In consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The City will hereby cause the deposit with the Escrow Agent of \$_____, comprised of a portion of the net sale proceeds of the 2017 Bonds, and instructs the Prior Trustee to transfer to the Escrow Agent \$_____, consisting of moneys held in the ___ Account established under the 2007 Trust Agreement, to be held in irrevocable escrow by the Escrow Agent separate and apart from all other securities, investments or moneys on deposit with the Escrow Agent, in a fund hereby created and established and to be known as the “**Escrow Fund**,” and to be applied solely as provided in this Escrow Agreement. [The City represents that such moneys are at least equal to an amount sufficient to purchase the Federal Securities listed in Exhibit 1 hereto, and to hold \$_____ uninvested as cash.]

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees [to hold such moneys uninvested as cash] [immediately to invest such moneys as specified in Section 1 in the Federal Securities listed in Exhibit 1 hereto and to deposit such Federal Securities in the Escrow Fund, and to hold the balance of such moneys uninvested as cash]. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton LLP, Minneapolis, Minnesota (the “**Verification Agent**”), that the [Federal Securities listed in Exhibit 1 hereto 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 pay the Prepayment Price of the 2007 Certificates on the Prepayment Date.

[If the Escrow Agent learns that the Department of the Treasury or the Bureau of Fiscal Service will not, for any reason, accept a subscription of state and local government series securities (“**SLGS**”) that is to be submitted pursuant to this Escrow Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the City with respect to funds which were to be invested in SLGS. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the City. In the absence of investment instructions from the City, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the City’s selection of an alternative investment as a determination of the alternative investment’s legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.]

SECTION 3. Investment of Any Remaining Moneys. [At the written direction of the City, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the City, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the Prepayment Price of the 2007 Certificates on the Prepayment Date, and provided that the City has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest with respect to the 2007 Certificates or interest on the 2017 Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which is not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the City with respect to the refunding of the outstanding 2007 Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the City promptly upon the receipt of such interest income by the Escrow Agent. The determination of the City as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.]

SECTION 4. Substitution of Securities. [Upon the written request of the City, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only

after the City has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the 2007 Trust Agreement and that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest with respect to the 2007 Certificates or interest on the 2017 Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the substitution described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the Prepayment Price of the 2007 Certificates on the Prepayment Date. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment or substitution made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.]

SECTION 5. Refunding of the 2007 Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall pay, on the Prepayment Date, the Prepayment Price of the 2007 Certificates maturing after the Prepayment Date, as set forth in Exhibit 1 hereto.

(b) Required Notices. The Prior Trustee acknowledges that the prepayment of all outstanding 2007 Certificates will cause the defeasance thereof. The Prior Trustee acknowledges that it has previously received an instruction to send a notice of conditional prepayment of the 2007 Certificates pursuant to Section 4.05 of the 2007 Trust Agreement substantially in the form that is attached hereto as Exhibit 2, and the Prior Trustee has previously disseminated a notice of prepayment of the 2007 Certificates (substantially in the form that is attached hereto as Exhibit 2) in accordance with Section 4.05 of the 2007 Trust Agreement as required to provide for the prepayment of the 2007 Certificates. The Escrow Agent agrees to disseminate a notice of defeasance of the 2007 Certificates to the holders of the 2007 Certificates in the form that is attached hereto as Exhibit 3.

(c) Unclaimed Moneys. Any excess moneys which remain in the Escrow Fund and are unclaimed for two years after the prepayment of the 2007 Certificates on the Prepayment Date shall be repaid by the Escrow Agent to the City, without liability for interest.

(d) Priority of Payments. The Prior Trustee, on behalf of the owners of the 2007 Certificates, shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Escrow Agreement.

(e) Termination of Obligation. As provided in the 2007 Trust Agreement, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof [and the purchase of the various Federal Securities as provided in Section 2 hereof], all obligations of the PFA, the City and the Prior Trustee with respect to the 2007 Certificates shall cease and terminate, except as set forth therein.

SECTION 6. Application of Certain Terms of the 2007 Trust Agreement. All of the terms of the 2007 Trust Agreement relating to notices to the Prior Trustee, the PFA or the City and the making of payments of principal and interest under the 2007 Trust Agreement are incorporated in this Escrow Agreement as if set forth in full herein. The procedures set forth in Article IX of the 2007 Trust Agreement relating to the resignation, removal and merger of the Prior Trustee under the 2007 Trust Agreement are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the

procedures to be followed with respect to any resignation, removal or merger of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform the duties that are expressly set forth herein and shall have no responsibility to take any action or omit to take any action that is not set forth herein, and no duties shall be implied hereunder.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. 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 Agent and its respective successors, assigns, directors, agents, officers, 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 Agent 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 Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective agents and employees or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Escrow Agreement or earlier removal or resignation of the Escrow Agent.

SECTION 10. Responsibilities of the Escrow Agent. The Escrow Agent 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 Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, [the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the Prepayment Price of the 2007 Certificates on the Prepayment Date] or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the funds deposited in the Escrow Fund to accomplish the prepayment of the 2007 Certificates on the Prepayment Date or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with

counsel, who may or may not be counsel to the Authority or 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 Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City.

The liability of the Escrow Agent to make the payments required by this Escrow Agreement shall be limited to the moneys in the Escrow Fund.

No provision of this Escrow Agreement shall require the Escrow Agent 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 Agent shall not be liable for the accuracy of any calculations provided herein.

Any company into which the Escrow Agent 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 Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The City shall pay the Escrow Agent full compensation for its duties under this Escrow 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 the Escrow Fund be deemed to be available for said purposes.

The Escrow Agent 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, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Escrow Agreement and delivered using Electronic Means. (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder). The City shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is

to be added or deleted from the listing. If the City elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

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

SECTION 11. Amendments. This Escrow Agreement is made for the benefit of the City and the owners of the 2007 Certificates, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent and the City; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the 2017 Bonds and interest with respect to the 2007 Certificates will not be adversely affected for federal income tax purposes, the City and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not materially adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of

the 2007 Certificates and the 2017 Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the outstanding 2007 Certificates have been paid in accordance with this Escrow Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent and all amounts owed to the Escrow Agent shall have been paid in full. Any unclaimed money which remains in the Escrow Fund for two years from the date upon which the outstanding 2007 Certificates have been paid in accordance with this Escrow Agreement shall be remitted by the Escrow Agent (without liability for interest) to the City.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to and any other reasonable fees and expenses (including legal fees and expenses) of the Escrow Agent approved by the City; provided, however, that under no circumstances shall the Escrow Agent 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 Agent under this Escrow Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent 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 Escrow Agreement.

SECTION 15. Counterparts. This Escrow 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 Escrow 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 Escrow 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 Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day that is 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 Escrow Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 18. Notices. Any notice or demand which by any provision of this Escrow Agreement is required or permitted to be given may be given or served by being deposited postage prepaid in a post office letter box, delivered via courier or overnight mail or sent via fax or electronic transmission addressed as follows:

If to the Escrow Agent: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500

Los Angeles, California 90071
Attention: Corporate Trust

If to the City:

City of Costa Mesa
77 Fair Drive
Costa Mesa, California 92626
Attention: City Manager

SECTION 19. Assignment. This Escrow Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the City, except as set forth in the fifth paragraph of Section 10 hereof, pursuant to which no such prior written consent shall be required.

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

CITY OF COSTA MESA

By: _____
City Manager

ATTEST:

City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent and as Prior
Trustee

By: _____
Authorized Officer

EXHIBIT 1

PREPAYMENT SCHEDULE [AND ESCROW SECURITIES]

The 2007 Certificates to be prepaid on the Prepayment Date are as follows:

<u>CUSIP</u>	<u>Maturity (October 1)</u>	<u>Rate</u>	<u>Outstanding Amount of 2007 Certificates</u>	<u>Price</u>
221498 BW7	2017	4.000%	\$153000	100%
221498 BX5	2018	4.000	15000	100
221498 BY3	2019	4.000	16000	100
221498 BZ0	2020	4.000	17000	100
221498 CA4	2021	4.125	17500	100
221498 CB2	2022	4.125	18000	100
221498 CC0	2023	4.200	19500	100
221498 CD8	2024	4.250	20500	100
221498 CE6	2025	4.300	20000	100
221498 CF3	2026	4.300	28000	100

[Moneys deposited in the Escrow Fund shall be invested as follows:]

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	September __, 2017	\$	%

EXHIBIT 2

CONDITIONAL NOTICE OF FULL OPTIONAL PREPAYMENT

**CITY OF COSTA MESA
2007 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY EXPANSION PROJECT)**

BASE CUSIP 221498

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2007 Certificates”) pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2007, by and among the City of Costa Mesa (the “City”), the Costa Mesa Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), that all of the outstanding 2007 Certificates, in the aggregate principal amount of \$18,295,000, have been called for prepayment on September [17], 2017 (the “Prepayment Date”). The 2007 Certificates to be called, which were originally executed and delivered on February 7, 2007, are as follows:

<u>CUSIP</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Rate</u>	<u>Outstanding</u> <u>Amount of 2007</u> <u>Certificates</u>	<u>Price</u>
BW7	2017	4.000%	\$153000	100%
BX5	2018	4.000	15000	100
BY3	2019	4.000	16000	100
BZ0	2020	4.000	17000	100
CA4	2021	4.125	17500	100
CB2	2022	4.125	18000	100
CC0	2023	4.200	19500	100
CD8	2024	4.250	20500	100
CE6	2025	4.300	20000	100
CF3	2026	4.300	28000	100

The 2007 Certificates will be payable on the Prepayment Date at a price of 100% of the principal amount plus accrued interest with respect thereto to such date (the “Prepayment Price”). The Prepayment Price of the 2007 Certificates will become due and payable on the Prepayment Date. From and after the Prepayment Date, interest on the 2007 Certificates to be prepaid will cease to accrue, and such 2007 Certificates will be surrendered to the Trustee.

Funds in an amount that is sufficient to pay the Prepayment Price of the 2007 Certificates will be on deposit with the Trustee on the Prepayment Date.

To receive payment on the Prepayment Date, owners of the 2007 Certificates should present and surrender said 2007 Certificates on the Prepayment Date at the address of the Trustee set forth below:

First Class/Registered/Certified

Express Delivery Only

By Hand Only

The Bank of New York Mellon
Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

The Bank of New York Mellon
Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

Prepayment of the 2007 Certificates is conditional upon the receipt by the Trustee on or prior to the Prepayment Date of moneys that are sufficient to pay the principal of and interest with respect to the 2007 Certificates that are subject to optional prepayment and, if such moneys have not been so received, this notice shall be of no force and effect and the Trustee shall not be required to prepay such 2007 Certificates.

A form W-9 must be submitted with the 2007 Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

If the Owner of any 2007 Certificate that is subject to optional prepayment fails to deliver such 2007 Certificate to the Trustee on the Prepayment Date, such 2007 Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such 2007 Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds that are held by the Trustee for such payment.

Note: *The Authority, the City 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 the notice or as printed on any 2007 Certificate. They are included solely for the convenience of the holders.*

By: THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

Dated this August [18], 2017.

EXHIBIT 3

NOTICE OF DEFEASANCE

**CITY OF COSTA MESA
2007 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY EXPANSION PROJECT)**

BASE CUSIP 221498

Notice is hereby given to the owners of the outstanding obligations described below (the “2007 Certificates”) that: (i) there have been deposited on the date hereof with The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) under the Amended and Restated Trust Agreement, dated as of January 1, 2007 (the “Trust Agreement”), by and among the City of Costa Mesa (the “City”), the Costa Mesa Public Financing Authority (the “Authority”) and the Trustee, moneys [and Defeasance Securities] as permitted by the Trust Agreement that are sufficient to pay the principal and accrued interest with respect to the 2007 Certificates, without premium, as evidenced by the report of a verification agent delivered to the City, the Authority and the Trustee; (ii) all obligations of the Authority, the City and the Trustee with respect to the 2007 Certificates have ceased and terminated, except as set forth in the Trust Agreement; and (iii) the City’s obligations under the Lease (as such term is defined in the Trust Agreement) have terminated. In addition, all obligations of the City under the Continuing Disclosure Certificate executed by the City with respect to the 2007 Certificates have ceased and terminated.

The 2007 Certificates are described below:

<u>CUSIP</u>	<u>Maturity (October 1)</u>	<u>Rate</u>	<u>Outstanding Amount of 2007 Certificates</u>	<u>Price</u>
BW7	2017	4.000%	\$1,530,000	100%
BX5	2018	4.000	150,000	100
BY3	2019	4.000	160,000	100
BZ0	2020	4.000	170,000	100
CA4	2021	4.125	175,000	100
CB2	2022	4.125	180,000	100
CC0	2023	4.200	190,000	100
CD8	2024	4.250	200,000	100
CE6	2025	4.300	200,000	100
CF3	2026	4.300	280,000	100

No representation is made as to the correctness of the CUSIP number either as printed on any 2007 Certificate or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for prepayment of the 2007 Certificates.

Dated this [31st day of August], 2017.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent