
ESCROW AGREEMENT

by and between the

COMMUNITY FACILITIES DISTRICT NO. 2005-1 (BELLEVUE RANCH WEST) OF THE CITY OF
MERCED,

and

U.S BANK NATIONAL ASSOCIATION,
as Prior Bonds Fiscal Agent
and
as Escrow Bank

Dated as of December 1, 2017

Pertaining to the Defeasance of
All of the Currently Outstanding

Community Facilities District No. 2005-1
(Bellevue Ranch West) of the City of Merced
2006 Special Tax Bonds (Improvement Area No. 1)

ESCROW AGREEMENT

This Escrow Agreement (the “Agreement”), made and entered into as of December 1, 2017, by and between the COMMUNITY FACILITIES DISTRICT NO. 2005-1 (BELLEVUE RANCH WEST) OF THE CITY OF MERCED, a community facilities district organized and existing under, and by virtue of the laws of the State of California (the “District”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Prior Bonds Fiscal Agent (the “Prior Bonds Fiscal Agent”), and as Escrow Bank (the “Escrow Bank”);

WITNESSETH:

WHEREAS, the District has previously issued its 2006 Special Tax Bonds (Improvement Area No. 1) (the “Prior Bonds”) pursuant to a Fiscal Agent Agreement, dated as of June 1, 2006 (the “Prior Bonds Fiscal Agent Agreement”), by and between the City, on behalf of the District, and U.S. Bank National Association, as fiscal agent (the “Prior Bonds Fiscal Agent”); and

WHEREAS, the District has approved the issuance of its 2017 Special Tax Refunding Bonds (Improvement Area No. 1) (the “Bonds”), the proceeds of which are to be used, together with certain other available funds, to defease all of the Prior Bonds;

NOW, THEREFORE, in consideration of the mutual premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. As used herein, the following terms shall have the following meanings:

“Closing Date” means December __, 2017.

“Code” means the Internal Revenue Code of 1986.

“Escrow Fund” means the Escrow Fund established and held by the Escrow Bank pursuant to Section 3 hereof.

“Escrow Requirements” means an amount sufficient, together with investment proceeds, to pay principal of, redemption premium, if any, and interest on the Prior Bonds through and including the Redemption Date, as set forth in Exhibit B hereto.

“Escrow Securities” means Defeasance Obligations as defined in Section [1.01] of the Prior Bonds Fiscal Agent Agreement deposited in the Escrow Fund pursuant to Section 5 hereof.

“Redemption Date” means March 1, 2018, the date on which the Prior Bonds are to be redeemed.

“Verification Agent” means Causey Demgen & Moore, P.C.

“Verification Report” means the report prepared by the Verification Agent and attached hereto as Exhibit A.

SECTION 2. The District hereby appoints U.S. Bank National Association as Escrow Bank under this Agreement for the benefit of the holders of the Prior Bonds. The Escrow Bank hereby accepts the duties and obligations of Escrow Bank under this Agreement and agrees that the irrevocable instructions to the Escrow Bank herein provided are in a form satisfactory to it. The applicable and

necessary provisions of the Prior Bonds Fiscal Agent Agreement, including particularly the redemption provisions thereof, are incorporated herein by reference. Reference herein to, or citation herein of, any provisions of the Prior Bonds Fiscal Agent Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

SECTION 3. Pursuant to this Agreement, there is created and established with the Escrow Bank a special and irrevocable fund designated the Escrow Fund, to be held by the Escrow Bank separate and apart from all other funds and accounts, and used only for the purposes and in the manner provided in this Agreement.

SECTION 4. The District herewith deposits, or causes to be deposited, with the Escrow Bank into the Escrow Fund, to be held by the Escrow Bank and to be applied solely as provided in this Agreement, the sum of \$_____, as follows:

- (i) from the proceeds of the Bonds, the sum of \$_____; and
- (ii) from moneys held by the Prior Bonds Fiscal Agent pursuant to the Prior Bonds Fiscal Agent in the debt service reserve fund, the sum of \$_____; and
- (iii) from residual moneys held by the Prior Bonds Fiscal Agent pursuant to the Prior Bonds Fiscal Agent Agreement, the sum of \$_____; and
- (iv) from any Special Tax Revenues not yet transferred to the Prior Bonds Fiscal Agent prior to the Closing Date, the sum of \$_____ which together with the sums from (i) and (iii) above, equal the sum of \$_____.

SECTION 5. The Escrow Bank acknowledges receipt of the moneys described in Section 4. The Escrow Bank agrees immediately to invest \$_____ of such amounts in the Escrow Securities set forth in Exhibit B hereto, and to deposit such Escrow Securities in the Escrow Fund, and to retain the amount of \$_____ in cash in the Escrow Fund. The Escrow Bank shall not have the power to sell, transfer, request the redemption of or otherwise dispose of some or all of the Escrow Securities in the Escrow Fund or to substitute other Escrow Securities therefor, except as may be required pursuant to the Verification Report. As the principal of the Escrow Securities shall mature and be paid, and the investment income and earnings thereon are paid, the Escrow Bank shall not reinvest such moneys, except as may be required pursuant to the Verification Report. Such amounts shall be applied by the Escrow Bank to the payment of the Escrow Requirement for the equal and ratable benefit of the holders of the Prior Bonds as set forth in the Verification Report.

SECTION 6. The District hereby directs and the Escrow Bank hereby agrees that the Escrow Bank will take all the actions required to be taken by it hereunder, in order to effectuate this Agreement. The liability of the Escrow Bank for the payment of the Escrow Requirements shall be limited to the application, in accordance with this Agreement, of the moneys and the principal amount of the Escrow Securities and investment earnings thereon available for such purposes in the Escrow Fund.

SECTION 7. The District irrevocably instructs the Escrow Bank (i) to pay to the Prior Bonds Fiscal Agent, from amounts held in the Escrow Fund, such amounts as are required for payment of principal of and interest on the Prior Bonds coming due through and including the Redemption Date, in the amount of \$_____; and (ii) to pay to the Prior Bonds Fiscal Agent, from amounts held in the Escrow Fund, the amount equal to the redemption price of the remaining principal amount of the Prior Bonds called for redemption on the Redemption Date, plus interest accrued thereon to the Redemption Date, in the amount of \$_____. The District has caused schedules to be prepared relating to the

sufficiency of the anticipated receipts from the Escrow Securities listed in Exhibit B to pay the Escrow Requirement. The District irrevocably instructs the Escrow Bank to mail a notice of defeasance of the Prior Bonds to The Depository Trust Company, Information Services and the Owners of the Prior Bonds in the manner provided in the Prior Bonds Fiscal Agent Agreement in the form attached hereto as Exhibit C. The District also irrevocably instructs the Prior Bonds Fiscal Agent under the Prior Bonds Fiscal Agent Agreement to mail a notice of redemption of the Prior Bonds as provided in Section 2.02 of the Prior Bonds Fiscal Agent Agreement in substantially the form provided in Exhibit D hereto and to pay said principal of and interest on and redemption price of the Prior Bonds to the owners of the Prior Bonds as provide in the Prior Bonds Fiscal Agent Agreement.

SECTION 8. The fund hereby created shall be irrevocable and the holders of the Prior Bonds shall have an express lien limited to all moneys and Escrow Securities, including the interest earning thereon, in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

SECTION 9. This Agreement is made pursuant to and in furtherance of the Prior Bonds Fiscal Agent Agreement and for the benefit of the District and the holders from time to time of the Prior Bonds and it shall not be repealed, revoked, altered, amended or supplemented without the written consent of all such holders and the written consent of the Escrow Bank, Prior Bonds Fiscal Agent and the District; provided, however, that the District, the Prior Bonds Fiscal Agent and the Escrow Bank may, without the consent of, or notice to, such holders enter into such amendments or supplements as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure an ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Prior Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and
- (c) to transfer to the Escrow Bank and make subject to this Agreement additional funds, securities or properties.

The Escrow Bank and Prior Bonds Fiscal Agent shall be entitled to conclusively rely upon the Verification Report, and 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 or addition affects the rights of the holders of the Prior Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 10. In consideration of the services rendered by the Escrow Bank under this Agreement, the District agrees to and shall pay to the Escrow Bank its fees, plus expenses, including all reasonable expenses, charges, counsel fees and expenses and other disbursements incurred by it or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, and the Escrow Bank shall have no lien whatsoever upon any of the moneys or Escrow Securities in the Escrow Fund for the payment of such proper fees and expenses.

SECTION 11. The Escrow Bank at the time acting hereunder may at any time resign and be discharged from the trusts hereby created by giving not less than 60 days' written notice to the District and the Prior Bonds Fiscal Agent, specifying the date when such resignation will take effect in the same manner as a notice is to be mailed pursuant to Section 7 hereof, but no such resignation shall take effect unless a successor Escrow Bank shall have been appointed by the holders of the Prior Bonds or by the District as hereinafter provided and such successor Escrow Bank shall have accepted such appointment,

in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Bank.

The Escrow Bank may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Bank and to the District and the Prior Bonds Fiscal Agent and signed by the holders of a majority in principal amount of the Prior Bonds.

In the event the Escrow Bank hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in the case the Escrow Bank shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Escrow Bank may be appointed by the holders of a majority in principal amount of the Prior Bonds, by an instrument or concurrent instruments in writing, signed by such holders, or by their attorneys-in-fact, duly authorized in writing; provided, nevertheless, that in any such event, the District shall appoint a temporary Escrow Bank to fill such vacancy until a successor Escrow Bank shall be appointed by the holders of a majority in principal amount of the Prior Bonds, and any such temporary Escrow Bank so appointed by the District shall immediately and without further act be superseded by the Escrow Bank so appointed by such holders.

In the event that no appointment of a successor Escrow Bank or a temporary successor Escrow Bank shall have been made by such holders or the District pursuant to the foregoing provisions of this Section within 60 days after written notice of the removal or resignation of the Escrow Bank has been given to the District, the holder of any of the Prior Bonds or any retiring Escrow Bank may apply to any court of competent jurisdiction for the appointment of a successor Escrow Bank, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Bank.

No successor Escrow Bank shall be appointed unless such successor Escrow Bank shall be a corporation or institution with trust powers organized under the financial institution laws of the United States or any state, and shall have at the time of appointment capital and surplus of not less than \$50,000,000. For purpose of this Section 11, a corporation or institution with trust powers organized under the financial institution laws of the United States of America or any state shall be deemed to have combined capital and surplus of at least \$50,000,000 if it has a combined capital surplus of at least \$20,000,000 and is a wholly-owned subsidiary of a corporation having a combined capital and surplus of at least \$50,000,000.

Every successor Escrow Bank appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the District, an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Bank without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trust, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of such successor Escrow Bank or the District execute and deliver an instrument transferring to such successor Escrow Bank all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Escrow Bank shall deliver all moneys and Escrow Securities held by it to its successor. Should any transfer, assignment or instrument in writing from the District be required by any successor Escrow Bank for more fully and certainly vesting in such successor Escrow Bank the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Escrow Bank, any such transfer, assignment and instrument in writing shall, on request, be executed, acknowledged and delivered by the District.

Any corporation or association into which the Escrow Bank, or any successor to it in the trusts created by this Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or reorganization to which the Escrow Bank or any successor to it shall be a party or any successor to a substantial portion

of the Escrow Bank's corporate trust business, shall, if it meets the qualifications set forth in the fifth paragraph of this Section, be the successor Escrow Bank under this Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The liability of the Escrow Bank to make payments required in the Agreement shall be limited to the moneys and Escrow Securities in the Escrow Fund.

SECTION 12. The Escrow Bank shall have no power or duty to invest any funds held under this Agreement except as provided in Sections 5 and 6 hereof. The Escrow Bank shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Agreement.

The Escrow Bank shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Bank or brokers selected by the District. Upon the District'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 District 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 District 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 13. To the extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its successors, assigns, agents, officers, directors, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant thereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement. The District shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Bank's successors, assigns, agents and employees or the material breach by the Escrow Bank of the terms of this Agreement. In no event shall the District or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 14. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Prior Bonds pursuant to the Prior Bonds Fiscal Agent Agreement or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary

or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel) may be deemed to be conclusively established by a written certification of the District. Whenever the Escrow Bank shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by such a certificate or such an opinion. The Escrow Bank shall incur no liability for losses arising from any investment made pursuant to this Agreement.

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

SECTION 15. This Agreement shall terminate upon payment of all Prior Bonds on the Redemption Date. Upon such termination, all moneys remaining in the Escrow Fund after payment of all fees and expenses of the Escrow Bank shall be released to the District.

SECTION 16. This Agreement is made in the State of California under the Constitution and laws of the State of California and is to so be construed.

SECTION 17. If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Prior Bonds Fiscal Agent or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

All the covenants, promises and agreements in this Agreement contained by or on behalf of the District or by or on behalf of the Prior Bonds Fiscal Agent or the Escrow Bank shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 18. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

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

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF
MERCED

By _____
Mayor

U.S. BANK NATIONAL ASSOCIATION,
as Prior Bonds Fiscal Agent and Escrow Bank

By _____
Authorized Officer

Exhibit A
Verification Report

Exhibit B
Escrow Schedule
and
Schedule of Escrow Securities

Exhibit C

Form of Notice of Defeasance

**NOTICE OF DEFEASANCE TO THE OWNERS OF
THE COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF MERCED
2006 SPECIAL TAX BONDS (IMPROVEMENT AREA NO. 1)**

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds that with respect to such bonds as specified in the table below (the “Bonds”) that the Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced (the “District”) has deposited with U.S. Bank National Association, as Escrow Bank (the “Escrow Bank”) for the Bonds, cash and/or direct non-callable obligations of the United States of America, securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee of the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS and/or defeased municipal bonds rated AAA by S&P or Aaa by Moody’s, satisfying the criteria set forth in the Fiscal Agent Agreement, dated as of June 1, 2006 (the “Fiscal Agent Agreement”), by and between U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), and the City of Merced (the “City”), on behalf of the Community Facilities District No. 2005-1 (Bellevue Ranch West) (the “District”), pursuant to which the Bonds were issued, the principal of and interest thereon which when due, together with amounts held as cash, will provide moneys sufficient (i) to pay principal of and interest on the Bonds through March 1, 2018 and (ii) to pay on March 1, 2018 the redemption price (*i.e.*, 100% of the principal amount thereof) of the Bonds maturing on and after March 1, 2018, together with accrued interest thereon to such redemption date. In accordance with the Fiscal Agent Agreement, all obligations of the District and the Fiscal Agent with respect to the Bonds shall cease and terminate, except only the obligation of the Fiscal Agent to pay or cause to be paid all payments of interest on and principal of the Bonds from moneys on deposit with the Escrow Bank and available as aforesaid.

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>CUSIP[†] Number</u> <u>(Base No: _____)</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>CUSIP[†] Number</u> <u>(Base No: _____)</u>
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DATED: December __, 2017

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF
MERCED

By: U.S. BANK NATIONAL ASSOCIATION, as
Escrow Bank

Exhibit D

Form of Notice of Optional Redemption

**COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF MERCED
2006 SPECIAL TAX BONDS (IMPROVEMENT AREA NO. 1)**

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds that all of the outstanding Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced 2006 Special Tax Bonds (Improvement Area No. 1) (the "2006 Bonds"), issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2006 (the "Fiscal Agent Agreement"), by and between U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), and the City of Merced (the "City"), on behalf of the Community Facilities District No. 2005-1 (Bellevue Ranch West) (the "District"), and are scheduled for redemption on March 1, 2018 (the "Redemption Date"), pursuant to the provisions of the Fiscal Agent Agreement.

The 2006 Bonds called for redemption have the maturity date, principal component, CUSIP Number and redemption price as set forth below:

<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Price</u>	<u>*CUSIP No.</u>
			100%	
			100	
			100	
			100	

Payment of the Redemption Price on the 2006 Bonds called for redemption will become due and payable on the Redemption Date upon presentation and surrender thereof in the following manner:

If by Mail: (REGISTERED BONDS)

If by Hand or Overnight Mail:

Bondholder Communications Customer Service: _____

Bondholders presenting their certificates in person for same day payment **must** surrender their certificate(s) by 1:00 P.M. on the Redemption Date and a check will be available for pick up after 2:00 P.M.. Checks not picked up by 4:30 P.M. will be mailed out to the bondholders via first class mail. If payment of the Redemption Price is to be made to the registered owner of the 2006 Bond, you are not required to endorse the 2006 Bond to collect the Redemption Price.

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

IMPORTANT NOTICE

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time the payment is made if the tax identification number is not properly certified.

*The Fiscal Agent shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice. It is included solely for convenience of the Holders.

Failure to receive this Notice of Optional Redemption or any immaterial defect contained herein shall not affect the sufficiency of the redemption proceedings as provided in the Fiscal Agent Agreement.

**By U.S. Bank National Association,
as Fiscal Agent**

Dated: on or before January 30, 2018