
ESCROW DEPOSIT AND TRUST AGREEMENT

by and between the

CITY OF PLACENTIA

and

U.S. BANK NATIONAL ASSOCIATION, as Escrow Bank

Dated May 29, 2003

Relating to the
\$3,185,000
City of Placentia
1994 Certificates of Participation

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT is made and entered into this 29th day of May, 2003, by and between the CITY OF PLACENTIA, a municipal corporation and chartered city organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the "1994 Trustee"), under the 1994 Trust Agreement, as hereinafter defined, as escrow bank hereunder (the "Escrow Bank");

WITNESSETH:

WHEREAS, the Redevelopment Agency of the City of Placentia (the "Agency") and the City have heretofore entered into that certain first amended and restated lease agreement, dated as of April 1, 1994 (the "1994 Lease Agreement"), pursuant to which the Agency leased certain land and improvements (the "1994 Property") to the City, and the City agreed to make certain lease payments (the "1994 Lease Payments") to the Agency;

WHEREAS, pursuant to a Trust Agreement, dated as of April 1, 1994, by and among the City, the Agency and the 1994 Trustee (the "1994 Trust Agreement"), the 1994 Trustee agreed, among other matters, to execute and deliver certificates of participation (the "1994 Certificates") representing direct, undivided fractional interests of the owners thereof in the 1994 Lease Payments and to apply the 1994 Lease Payments and such other lease payments to the payment of principal and interest with respect to the 1994 Certificates, and to administer certain funds and accounts created by the 1994 Trust Agreement;

WHEREAS, the 1994 Lease Agreement provides that the City may secure the payment of the 1994 Lease Payments by a deposit with the 1994 Trustee pursuant to the 1994 Trust Agreement;

WHEREAS, the City has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the City at this time to refinance the City's obligation to make the 1994 Lease Payments and, as a result thereof, to provide for the payment of the principal and interest with respect to the 1994 Certificates through January 1, 2004, and to redeem the remaining outstanding 1994 Certificates maturing after January 1, 2004, in full on January 1, 2004, at the redemption price of 102% of the principal amount thereof, plus accrued interest, and to that end, the City proposes to enter into that certain Lease Agreement, dated as of May 1, 2003, by and between the Placentia Public Financing Authority (the "Authority") and the City (the "Lease Agreement");

WHEREAS, the City proposes to provide for the payments described above and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to provide for the payment of the 1994 Lease Payments in accordance with the instructions provided by this Escrow Deposit and Trust Agreement and of applying said 1994 Lease Payments to the payment of the principal and interest with respect to the 1994 Certificates and the Escrow Bank desires to accept said appointment;

WHEREAS, to obtain moneys to provide for the payment described above and for other purposes, the Authority proposes to assign and transfer certain of its rights under the Lease Agreement to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to that certain Assignment Agreement, dated as of May 1, 2003, by and between the Authority and the

Trustee, and to enter into that certain Trust Agreement, dated as of May 1, 2003, by and among the Trustee, the City and the Authority (the "Trust Agreement"), whereby the Trustee agrees to execute and deliver certificates of participation in the principal amount of \$3,800,000 (the "Certificates"), each evidencing a direct, undivided fractional interest in the lease payments made by the City under the Lease Agreement (the "Lease Payments");

WHEREAS, the City proposes to make the deposit of moneys referenced in the 1994 Trust Agreement and to appoint the Escrow Bank for the purpose of applying said deposit to the payment and redemption of the 1994 Certificates in accordance with the 1994 Trust Agreement, and the Escrow Bank desires to accept said appointment; and

WHEREAS, under California law, the Escrow Bank has full powers to act with respect to the irrevocable escrow created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Deposit and Trust Agreement:

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions. Capitalized terms used, but not otherwise defined, herein, shall have the meanings ascribed thereto in the Trust Agreement.

Section 2. Appointment of Escrow Bank. The City hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Deposit and Trust Agreement and in accordance with the terms and provisions of this Escrow Deposit and Trust Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the City with, and to be held by, the Escrow Bank as security for the payment of the 1994 Lease Payments as hereinafter set forth, an irrevocable escrow to be maintained in trust by the Escrow Bank on behalf of the City and for the benefit of the owners of the 1994 Certificates, said escrow to be designated the "Escrow Fund." All moneys and securities (the "Escrow Securities") deposited in the Escrow Fund shall be held as a special fund for the payment of the principal and interest with respect to the 1994 Certificates in accordance with the provisions of this Escrow Deposit and Trust Agreement. If at any time the Escrow Bank shall receive actual knowledge that the moneys and Escrow Securities in the Escrow Fund will not be sufficient to make any payment required by Section 5 hereof, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency.

Section 4. Deposit into Escrow Fund; Investment of Amounts. Concurrently with delivery of the Certificates, the City shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$2,391,796.01_ in immediately available funds, derived as follows:

(a) \$2,045,569.82 derived from the proceeds of sale of the Certificates; and

(b) \$346,226.19 derived from the reserve fund created for the 1994 Certificates (the "1994 Reserve Fund").

All of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph shall be invested by the Escrow Bank in the escrowed Federal Securities described in Exhibit A attached hereto (the "Escrow Securities"). The Escrow 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 its full compliance with the provisions of this Escrow Deposit and Trust Agreement.

Section 5. Instructions as to Application of Deposit.

(a) The total amount of Escrow Securities and uninvested moneys deposited in the Escrow Fund pursuant to Section 4 shall be applied by the Escrow Bank for the sole purpose of paying the principal and interest with respect to the 1994 Certificates as the same shall become due and payable, all at the times and in the amounts set forth in Exhibit B attached hereto and by this reference incorporated herein.

(b) The City hereby instructs the Escrow Bank, in its capacity as 1994 Trustee and the Escrow Bank, as 1994 Trustee, hereby agrees to give notice of redemption of the applicable 1994 Certificates, such notice of redemption to be given timely for redemption of such 1994 Certificates on the applicable redemption date, in accordance with the applicable provisions of the 1994 Trust Agreements, and to cause the redemption of such 1994 Certificates on the applicable redemption date, as set forth in Exhibit B attached hereto and by this reference incorporated herein.

Section 6. Investment of Any Remaining Moneys. The Escrow Bank shall invest and reinvest the proceeds received from any of the Escrow Securities and the cash originally deposited into the Escrow Fund, for a period ending not later than the next succeeding interest payment date with respect to the 1994 Certificates, in Escrow Securities as directed in writing by the City; *provided, however,* that such written directions of the City shall be accompanied by a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Escrow Securities then to be so deposited in the Escrow Fund, together with the Escrow Securities then on deposit in the Escrow Fund, together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 5 hereof. In the event that the City shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 6 and not required for the purposes set forth in Section 5, as indicated by such verification, and after payment of any amounts then owed to the Escrow Bank, shall be paid to the City promptly upon the receipt of such interest income by the Escrow Bank. Any amounts remaining on deposit in the Escrow Fund after the final payment of all 1994 Certificates in accordance with this Escrow Deposit and Trust Agreement, shall be transferred by the Escrow Bank to the Trustee for deposit in the lease payment fund created under the Trust Agreement and used first for the payment of any rebate payment or yield reduction payment required to be paid by the City with respect to the 1994 Certificates and second for the purposes of such fund.

Section 7. Substitution or Withdrawal of Escrow Securities. The City may, at any time, direct the Escrow Bank in writing to substitute Escrow Securities for any or all of the Escrow Securities then deposited in the Escrow Fund, or to withdraw and transfer to the City any portion of the Escrow Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be simultaneous and shall be accompanied by a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Escrow Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal, the Escrow Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 5 hereof. In the event that, following any such substitution of

Escrow Securities pursuant to this Section 7, there is an amount of moneys or Escrow Securities in excess of an amount sufficient to make the payments required by Section 5 hereof, as indicated by such verification, such excess shall be invested by the Escrow Bank as directed in Section 6 hereof. The Escrow Bank shall have no responsibility or obligation to notify or obtain the consent of any rating agency or insurer to (i) the disbursement of any surplus amounts hereunder, (ii) the modification or amendment of this Escrow Deposit and Trust Agreement, or (iii) the substitution of collateral or securities.

Section 8. Application of 1994 Certificates Funds. On the date of original delivery of the Certificates and the deposit of a portion of the proceeds thereof in the Escrow Fund pursuant to Section 4, the Escrow Bank, as 1994 Trustee, is hereby directed withdraw all amounts on deposit in the 1994 Reserve Fund (\$346,226.19) and transfer such sum to the Escrow Fund.

Any amounts remaining on deposit in any fund or account established under the 1994 Trust Agreements for the 1994 Certificates, including any investment earnings received after the date of original delivery of the Certificates, shall be transferred by the Escrow Bank, as 1994 Trustee, to the Trustee for deposit in the lease payment fund created under the Trust Agreement and applied for the purposes thereof.

Section 9. Application of Certain Terms of Trust Agreement. All of the terms of the 1994 Trust Agreements relating to the making of payments of principal and interest with respect to the 1994 Certificates are incorporated in this Escrow Deposit and Trust Agreement as if set forth in full herein. The provisions of the 1994 Trust Agreements relating to the limitations from liability and protections afforded the 1994 Trustee and the resignation and removal of the 1994 Trustee are also incorporated in this Escrow Deposit and Trust 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 10. Compensation to Escrow Bank. The City shall pay the Escrow Bank full compensation for its duties under this Escrow Deposit and Trust Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, fees, costs and expenses relating to the purchase of any Escrow Securities after the date hereof. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 11. 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 Escrow Deposit and Trust Agreement unless the City shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the City or its agents relating to any matter or action as Escrow Bank under this Escrow Deposit and Trust Agreement.

The Escrow Bank 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 Deposit and Trust Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the purposes set forth in Section 5 hereof, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statement of the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow

Bank makes no representations as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the purposes set forth in Section 5 hereof or to the validity of this Escrow Deposit and Trust Agreement as to the City 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 Escrow Deposit and Trust Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Deposit and Trust Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, 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 1994 to taking, suffering, or omitting any action under this Escrow Deposit and Trust 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 counsel) may be deemed to be conclusively established by a written certification of the City.

The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank 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) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by 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 Deposit and Trust 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 Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the City shall not be required to indemnify the Escrow Bank against its own negligence or misconduct. The indemnities contained in this Section 11 shall survive the termination of this Escrow Deposit and Trust Agreement or the resignation or removal of the Escrow Bank.

Section 12. Amendment. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the 1994 Certificates shall have been filed with the Escrow Bank. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 1994 Certificates or the Certificates, and that such amendment will not cause interest on the 1994 Certificates or represented by the Certificates to become subject to federal income taxation. In connection with any contemplated amendment or revocation of this Escrow Deposit and Trust Agreement, 1994 written notice thereof and draft copies of the applicable legal documents shall be provided by the City to each rating agency then rating the 1994 Certificates.

Section 13. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Deposit and Trust 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 Deposit and Trust Agreement. Notice of any such invalidity or unenforceability shall be provided to each rating agency then rating the 1994 Certificates.

Section 14. Notice of Escrow Bank, City and Corporation. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the Principal Corporate Trust Office of the Escrow Bank as specified by the Escrow Bank as 1994 Trustee in accordance with the provisions of the 1994 Trust Agreements. Any notice to or demand upon the City and the Authority, respectively, 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 such party as provided in the 1994 Lease Agreements (or such other address as may have been filed in writing by the City or the Authority with the Escrow Bank).

Section 15. Merger or Consolidation of Escrow Bank. 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, provided such company shall be eligible to act as trustee under the 1994 Trust Agreements, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

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

CITY OF PLACENTIA

By 
Robert D'Amato
City Administrator

Attest:


Patrick J. Melia
City Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Bank

By _____
Julia S. Hommel,
Assistant Vice President

APPROVED AS TO FORM:

By 
Brian D. Quint, Esq.
Quint & Thimmig LLP
Special Counsel

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

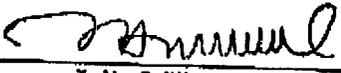
CITY OF PLACENTIA

By _____
Robert D'Amato
City Administrator

Attest:

Patrick J. Melina,
City Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Bank

By _____

Julia S. Hommel,
Assistant Vice President

APPROVED AS TO FORM:

By _____
Brian D. Quint, Esq.
Quint & Thimmig LLP
Special Counsel

EXHIBIT A

ESCROWED FEDERAL SECURITIES

<u>Type</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Par Amount</u>	<u>Price</u>	<u>Cost</u>	<u>Accrued</u>	<u>Total Cost</u>
TNOTE	06/30/03	5.375%	\$38,000	100.45245%	38,171.93	840.70	39,012.63
TNOTE	12/31/03	3.250	2,289,000	101.44881	2,322,163.26	30,620.12	<u>2,352,783.38</u>
							<u>2,391,796.01</u>

EXHIBIT B

PAYMENT AND REDEMPTION SCHEDULE OF 1994 CERTIFICATES

<u>Interest Payment Date</u>	<u>Maturing Principal</u>	<u>Called Principal</u>	<u>Call Premium</u>	<u>Interest</u>	<u>Total</u>
07/01/03	—	—	—	\$75,377.50	\$ 75,377.50
01/01/04	\$135,000	\$2,075,000	\$41,500	75,377.50	2,326,877.50