

ESCROW AGREEMENT (2008B WATER BONDS)

THIS ESCROW AGREEMENT (2008B WATER BONDS), dated February __, 2019 (the “**Agreement**”), by and between the City of Riverside (the “**City**”) and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”) and as 2008B Fiscal Agent (as such term is defined herein), is entered into in accordance with the authorization of the City Council provided on [January 22], 2019, Resolution No. 17664 (as amended and supplemented from time to time, the “**Master Resolution**”), adopted by the City Council on January 8, 1991, and Resolution No. 21622 (the “**2008B Resolution**” and, together with the Master Resolution, the “**Resolution**”), adopted by the City Council on May 6, 2008, which 2008B Resolution supplements the Master Resolution. This Agreement is entered into to refund all of the outstanding City of Riverside Water Revenue Bonds, Issue of 2008B (the “**2008B Bonds**”).

RECITALS

A. Pursuant to the Resolution, the City has previously caused the 2008B Bonds to be issued in the aggregate principal amount of \$58,235,000, of which \$53,880,000 is currently outstanding.

B. The City has determined to issue its City of Riverside Water Revenue/Refunding Bonds, Issue of 2019A (the “**2019A Bonds**”), a portion of the proceeds of which will be applied to pay on April 1, 2019 (the “**Redemption Date**”) the principal of the outstanding 2008B Bonds, plus interest thereon accrued to such date, without premium (the “**Redemption Price**”).

C. The City will irrevocably deposit moneys with the Escrow Agent (as permitted by, in the manner prescribed by and all in accordance with the Resolution), which moneys will be used to purchase the securities that are described on Schedule A (the “**Federal Securities**”). Such Federal Securities satisfy the criteria set forth in Article IX of the Master Resolution, and the principal of and interest on such Federal Securities when paid will provide money which will be fully sufficient to pay and discharge the 2008B Bonds.

AGREEMENT

SECTION 1. Deposit of Moneys. The City will cause U.S. Bank National Association, as Fiscal Agent for the 2019A Bonds, to transfer a portion of the proceeds of the 2019A Bonds in the amount of \$_____ on the date hereof to the Escrow Agent for deposit in the Escrow Fund established hereunder. The Escrow Agent shall hold such amount in irrevocable escrow separate and apart from other funds of the City and the Escrow Agent in a fund hereby created and established to be known as the “**Escrow Fund**” and to be applied solely as provided in this Agreement. The City represents that the amount set forth above is at least equal to an amount sufficient to purchase the Federal Securities listed on Schedule A, 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 immediately to invest such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Samuel Klein and Company, New York, New York (the “**Verification Agent**”) that the Federal Securities listed on Schedule A 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 on the Redemption Date the regularly scheduled payments of interest on the 2008B Bonds maturing on such date, plus the Redemption Price of the 2008B Bonds maturing after such date.

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 (acceptable to the insurer of the 2008B Bonds, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc. (“AGM”)) or firm of certified public accountants (acceptable to AGM) 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 on the Redemption Date the regularly scheduled payments of interest on the 2008B Bonds maturing on such date, plus the Redemption Price of the 2008B Bonds maturing after such 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 on the 2008B Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are 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 2008B Bonds 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 that are set forth herein 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 legal documents in effect with respect to the 2008B Bonds and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2008B Bonds; and (ii) a report by a firm of independent certified public accountants (acceptable to AGM) 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 on the Redemption Date the regularly scheduled payments of interest on the 2008B Bonds maturing on such date, plus the Redemption Price of the 2008B Bonds maturing after such date. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2008B Bonds.

(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, on the Redemption Date, apply the amounts on deposit in the Escrow Fund to pay the regularly scheduled payments of interest on the 2008B Bonds maturing on such date, plus the Redemption Price of the 2008B Bonds maturing after such date.

(b) Irrevocable Instructions to Provide Notice. The forms of the notices required to be mailed pursuant to Section 4.05 of the Master Resolution and Article IX of the Master Resolution are substantially in the forms attached hereto as Exhibits A and B. The City hereby irrevocably instructs the Escrow Agent to mail a notice of redemption and a notice of defeasance of the 2008B Bonds to the parties described in and otherwise in accordance with Section 4.05 of the Master Resolution and Article IX of the Master Resolution, respectively, as required to provide for the redemption of the 2008B Bonds in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed for two years after the Redemption Date shall be repaid by the Escrow Agent to the City.

(d) Priority of Payments. The owners of the 2008B Bonds 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 Agreement.

(e) Termination of Obligation. As provided in the Resolution, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 and the purchase of the various Federal Securities as provided in Section 2, all obligations of the City under the Resolution, and the pledge of Net Operating Revenues and other assets made under the Resolution, with respect to the 2008B Bonds, all covenants, agreements and other obligations of the City under the Resolution with respect to the 2008B Bonds and all liability of the City in respect of the 2008B Bonds shall cease, terminate, become void and be completely discharged and satisfied except as set forth in the Resolution.

SECTION 6. Application of Certain Terms of the Resolution. All of the terms of the Resolution relating to the making of payments of principal of and interest on the 2008B Bonds and relating to the exchange or transfer of the 2008B Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 7.01 of the Master Resolution relating to the resignation and removal and merger of the 2008B Fiscal Agent are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

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

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or Federal Securities that are 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, agents, 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 Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this 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, the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions that are 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 Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its 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 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 2008B Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained 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 proceeds to accomplish the refunding of the 2008B Bonds or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent 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 Agent 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 may be deemed to be conclusively established by a certificate signed by an officer of the City.

The City acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the City with periodic transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder; provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

SECTION 11. Amendments. This Agreement is made for the benefit of the City and the owners from time to time of the 2008B Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, AGM and the City; provided, however, that the City and the Escrow Agent may, with the prior consent of AGM, but without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the Resolution, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2008B Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, 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 owners of the various 2008B Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2008B Bonds.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2008B Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City and any other reasonable 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 or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this 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, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow

Agent shall notify the City in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to City and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, Reference: City of Riverside, Water Series 2008B. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City at 3900 Main Street, Riverside, California 92522, Attention: Finance Director (or such other address as may have been filed in writing by the City with the Escrow Agent).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY OF RIVERSIDE

By: _____
City Manager

ATTEST:

City Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A
FEDERAL SECURITIES

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>	<i>Total Cost</i>
_____	April 1, 2019	\$_____	_____%	\$_____

The escrow requirements for the 2008B Bonds are as follows:

<u><i>Period Ending</i></u>	<u><i>Principal Paid</i></u>	<u><i>Principal Redeemed</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
April 1, 2019	\$0.00	\$_____	\$_____	\$_____

EXHIBIT A

NOTICE OF FULL OPTIONAL REDEMPTION

CITY OF RIVERSIDE
WATER REVENUE BONDS, ISSUE OF 2008B

BASE CUSIP NO. 769076

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2008B Bonds”) of the City of Riverside (the “City”) pursuant to Resolution No. 17664 (as amended and supplemented from time to time, the “Master Resolution”), adopted by the City Council on January 8, 1991, and Resolution No. 21622 (the “2008B Resolution” and, together with the Master Resolution, the “Resolution”), adopted by the City Council on May 6, 2008, that all of the outstanding 2008B Bonds in the amount of \$53,880,000 have been called for redemption on April 1, 2019 (the “Redemption Date”). The 2008B Bonds were originally issued on May 28, 2008.

<u>CUSIP</u> <u>(769076)</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
SV3	2019	4.000%	\$ 1,220,000	100%
SW1	2020	4.000	1,245,000	100
SX9	2021	4.000	1,320,000	100
SY7	2022	5.000	1,380,000	100
SZ4	2023	5.000	1,410,000	100
TA8	2024	5.000	1,490,000	100
TB6	2025	5.000	1,555,000	100
TC4	2026	5.000	1,625,000	100
TD2	2027	5.000	1,705,000	100
TE0	2028	5.000	2,585,000	100
TF7	2033	5.000	11,810,000	100
TG5	2038	5.000	26,535,000	100

The 2008B Bonds will be payable on the Redemption Date at a Redemption Price of 100% of the principal amount plus accrued interest to such date (the “Redemption Price”). The Redemption Price of the 2008B Bonds will become due and payable on the Redemption Date. Interest on the 2008B Bonds will cease to accrue from and after the Redemption Date, and such 2008B Bonds will be surrendered to U.S. Bank National Association, as fiscal agent (the “2008B Fiscal Agent”).

To receive payment on the Redemption Date, owners of the 2008B Bonds should present and surrender said 2008B Bonds on the Redemption Date at the address of the 2008B Fiscal Agent set forth below:

Delivery Instructions

U.S. Bank
Global Corporate Trust Services
111 Fillmore Avenue E
St. Paul, Minnesota 55107

REQUIREMENT INFORMATION

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the 2008B Fiscal Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

If the owner of any 2008B Bond fails to deliver such 2008B Bond to the 2008B Fiscal Agent on the Redemption Date, such 2008B Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2008B Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2008B Fiscal Agent for such payment.

Note: The City and the 2008B Fiscal Agent 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 2008B Bond. They are included solely for the convenience of the holders.

U.S. BANK NATIONAL ASSOCIATION, as 2008B
Fiscal Agent

March 1, 2019

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF RIVERSIDE
WATER REVENUE BONDS, ISSUE OF 2008B

BASE CUSIP NO. 769076

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2008B Bonds”) of the City of Riverside (the “City”) pursuant to Resolution No. 17664 (as amended and supplemented from time to time, the “Master Resolution”), adopted by the City Council on January 8, 1991, and Resolution No. 21622 (the “2008B Resolution” and, together with the Master Resolution, the “Resolution”), adopted by the City Council on May 6, 2008, that the City has deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on April 1, 2019 the principal of all outstanding 2008B Bonds, plus accrued interest thereon to such date. The 2008B Bonds were originally issued on May 28, 2008.

<u>CUSIP</u> <u>(769076)</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
SV3	2019	4.000%	\$ 1,220,000	100%
SW1	2020	4.000	1,245,000	100
SX9	2021	4.000	1,320,000	100
SY7	2022	5.000	1,380,000	100
SZ4	2023	5.000	1,410,000	100
TA8	2024	5.000	1,490,000	100
TB6	2025	5.000	1,555,000	100
TC4	2026	5.000	1,625,000	100
TD2	2027	5.000	1,705,000	100
TE0	2028	5.000	2,585,000	100
TF7	2033	5.000	11,810,000	100
TG5	2038	5.000	26,535,000	100

In accordance with the Resolution: (i) the 2008B Bonds are deemed to have been paid in accordance with Article IX of the Master Resolution; (ii) all obligations of the City under the Resolution, and the pledge of Net Operating Revenues and other assets made under the Resolution, with respect to the 2008B Bonds, all covenants, agreements and other obligations of the City under the Resolution with respect to the 2008B Bonds and all liability of the City in respect of the 2008B Bonds shall cease, terminate, become void and be completely discharged and satisfied except as set forth in the Resolution; and (iii) all continuing disclosure obligations of the City with respect to the 2008B Bonds have ceased and terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any 2008B Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2008B Bonds.

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

February __, 2019.