

**ESCROW AGREEMENT
RELATING TO THE REDEMPTION OF A PORTION OF
CITY OF BELL, CALIFORNIA
GENERAL OBLIGATION BONDS (ELECTION OF 2003) SERIES 2007**

THIS ESCROW AGREEMENT, dated as of July 1, 2012 (this "Escrow Agreement"), is made by and between the City of Bell, California (the "City") and U.S. Bank National Association, as escrow agent hereunder (the "Escrow Agent") and as paying agent for the 2007 Bonds (defined herein) under the Paying Agent Agreement, dated as of August 1, 2007 (the "Paying Agent Agreement"), by and between the City and U.S. Bank National Association (the "Paying Agent") (capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Paying Agent Agreement),

WITNESSETH:

WHEREAS, pursuant to an authorization received at the general election of November 4, 2003 and a resolution adopted by the City Council of the City on May 7, 2007, the City authorized and issued \$35,000,000 aggregate principal amount of its General Obligation Bonds (Election of 2003) Series 2007 (the "2007 Bonds"), of which \$35,000,000 aggregate principal amount remains outstanding; and

WHEREAS, the City desires to set aside legally available funds to pay a portion of the 2007 Bonds as they become due as specified on Schedule A-1 hereto and to redeem a portion of the 2007 Bonds as specified on Schedule A-2 hereto (the "Redeemed Bonds") pursuant to this Escrow Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys; Funding of Debt Service; Redemption. The City hereby irrevocably deposits with the Escrow Agent, as agent for the Treasurer of the City, the amount of \$7,115,660.57 (the "Deposit") in immediately available funds to be held in an irrevocable escrow by 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 Escrow Agreement. Amounts in the Escrow Fund shall be withdrawn by the Escrow Agent and transferred to the Paying Agent on each February 1 and August 1, commencing on August 1, 2012, for application by the Paying Agent on each Interest Payment Date to the payment of principal of and interest on the 2007 Bonds, as set forth in Schedule B hereto. On August 1, 2017, the Escrow Fund shall constitute the Redemption Account provided for under Section 4.04 of the Paying Agent Agreement and the City hereby directs the Paying Agent to redeem the Redeemed Bonds in accordance with this Escrow Agreement and the Paying Agent Agreement. The Deposit is at least equal to an amount sufficient to purchase Federal Securities, as defined in the Paying Agent Agreement, the

principal of and interest on which when due will provide moneys which, together with the other moneys deposited with the Escrow Agent at the time pursuant hereto, shall be sufficient to pay and redeem on August 1, 2017 (the "Redemption Date") the \$5,945,000 principal amount of the Redeemed Bonds maturing on and after August 1, 2018, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date. The amounts required to be paid on the 2007 Bonds and the Redeemed Bonds are set forth on Schedule B hereto.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 hereof and agrees immediately to invest \$6,975,510 of such moneys in the specific Federal Securities set forth in Schedule C hereto and to deposit such Federal Securities in the Escrow Fund. The amount of \$140,150.57 in the Escrow Fund not so invested shall be held as cash except as provided in Section 3 or 4 herein.

SECTION 3. Investment of Any Remaining Moneys. If the Escrow Agent shall receive (i) any cash payment not required for the initial purchase of Federal Securities set forth in Schedule C hereto, if any, or (ii) any payment of principal or interest from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, then, at the written direction of the City, the Escrow Agent shall reinvest the amount of such payment, or any portion thereof, in non-callable Federal Securities maturing in an amount at least equal to the purchase price thereof and maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, as verified in a report (a "Verification 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 (a "Verification Agent") and provided the City has obtained and delivered to the Escrow Agent an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the 2007 Bonds for purposes of federal income taxation. The Escrow Agent shall monitor compliance with the foregoing requirements. Any investment income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in this Section 3 or in Section 5, as verified in the letter (the "Verification Letter") of Causey Demgen & Moore P.C., certified public accountants, originally obtained by the City with respect to the Redeemed Bonds and attached as Exhibit A hereto or in any other Verification Report, shall be transferred to the Debt Service Account to be applied as directed by the City (after consultation with bond counsel).

SECTION 4. Substitution of Securities. Upon the written request of the City, and subject to the conditions and limitations herein set forth, 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 set forth on Schedule C hereto, other Federal Securities satisfying the criteria set forth in the Paying Agent Agreement, but only after the City has obtained and delivered to the Escrow Agent (i) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the 2007 Bonds for purposes of federal income taxation, and (ii) a report by a Verification Agent to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due the principal or redemption price of and interest on the Redeemed Bonds on the Redemption Date specified herein. The Escrow Agent shall not be liable or responsible for any loss resulting from

any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Redeemed Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon, if any, and moneys on deposit in the Escrow Fund, the Escrow Agent shall pay the Redeemed Bonds set forth on Schedule A-2 hereto. Any moneys remaining in the Escrow Fund after payment of the principal of and interest on the Redeemed Bonds in full as provided herein shall be repaid by the Escrow Agent to the City.

(b) Irrevocable Instructions to Provide Notice. The Escrow Agent (as Paying Agent for the Redeemed Bonds) shall provide notice of the redemption of the Redeemed Bonds to be redeemed in accordance with the Paying Agent Agreement, and with a copy of such notice to the Bond Insurer and such other parties as required.

(c) Unclaimed Moneys. Subject to applicable law, any moneys which remain unclaimed for two (2) years after the date when such moneys have become due and payable, shall be repaid by the Escrow Agent to the City as its absolute property free from trust, and the Escrow Agent shall thereupon be released and discharged with respect thereto and the owners of Redeemed Bonds shall look only to the City for the payment thereof; provided, however, that before being required to make any such payment to the City, the Escrow Agent shall, at the expense of the City, cause to be mailed to the Owners of any Redeemed Bonds that remain unpaid at the addresses shown on the registration books maintained by the Redeemed Bonds Paying Agent, a notice with respect to the Redeemed Bonds so payable and not presented and that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

SECTION 6. Application of Certain Terms of the Paying Agent Agreement. All of the terms of the Paying Agent Agreement relating to the making of payments of principal and interest on the Redeemed Bonds are incorporated in this Escrow Agreement as if set forth in full herein. The procedures set forth in the Paying Agent Agreement relating to the resignation and removal of the Redeemed Bonds Paying Agent 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 or removal of the Escrow Agent hereunder.

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

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 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, 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 whatever 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 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 and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or 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 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 willful 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 contained in this Section shall survive the termination of this Escrow Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its employees, 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 purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the Redeemed Bonds 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 contained in the "Whereas" clauses 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 Federal Securities to accomplish the redemption of the Redeemed Bonds 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 in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow 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 Escrow 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 Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the City.

SECTION 11. Amendments. This Escrow Agreement is made for the benefit of the City and the owners from time to time of the Redeemed Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or

notice to, such owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the Paying Agent Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; and (ii) 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 owners of the Redeemed 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 Redeemed Bonds 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 pursuant to Section 5(c) of this Escrow Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred 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 an original but all of which 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.

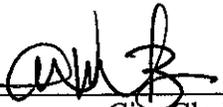
SECTION 17. Insufficient Funds. If at any time the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Escrow Agreement, the Escrow Agent shall notify the City in writing, immediately upon becoming aware of such deficiency, 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.

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 first above written.

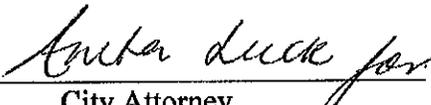
CITY OF BELL

By: 
Chief Administrative Officer

Attest:

By: 
City Clerk

Approved as to Form and Legal Content:

By: 
City Attorney

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

By: _____
Authorized Officer

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 first above written.

CITY OF BELL

By: _____
Chief Administrative Officer

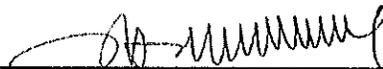
Attest:

By: _____
City Clerk

Approved as to Form and Legal Content:

By: _____
City Attorney

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

By:  _____
Authorized Officer

SCHEDULE A-1

2007 BONDS TO BE PAID

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
8/1/2013	4.000%	\$565,000.00
8/1/2014	4.000%	525,000.00
8/1/2015	4.000%	605,000.00
8/1/2016	5.000%	410,000.00
8/1/2017	5.000%	175,000.00

SCHEDULE A-2

REQUIREMENTS OF THE REDEEMED BONDS

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Price</u>
8/1/2018	5.000%	\$515,000.00	8/1/2017	100.000
8/1/2019	5.000%	390,000.00	8/1/2017	100.000
8/1/2020	5.000%	450,000.00	8/1/2017	100.000
8/1/2021	5.000%	320,000.00	8/1/2017	100.000
8/1/2023	5.000%	105,000.00	8/1/2017	100.000
8/1/2024	5.000%	635,000.00	8/1/2017	100.000
8/1/2025	5.000%	300,000.00	8/1/2017	100.000
8/1/2026	5.000%	60,000.00	8/1/2017	100.000
8/1/2027	5.000%	360,000.00	8/1/2017	100.000
8/1/2030	5.000%	130,000.00	8/1/2017	100.000
8/1/2031	5.000%	135,000.00	8/1/2017	100.000
8/1/2032	5.000%	140,000.00	8/1/2017	100.000
8/1/2033	5.000%	25,000.00	8/1/2017	100.000
8/1/2034	5.000%	25,000.00	8/1/2017	100.000
8/1/2035	5.000%	25,000.00	8/1/2017	100.000
8/1/2036	5.000%	25,000.00	8/1/2017	100.000
8/1/2037	5.000%	25,000.00	8/1/2017	100.000

SCHEDULE B

DEBT SERVICE REQUIREMENTS

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Total</u>
8/1/2012		\$ 140,150.00	--	\$ 140,150.00
2/1/2013		140,150.00	--	140,150.00
8/1/2013	\$565,000.00	140,150.00	--	705,150.00
2/1/2014		128,850.00	--	128,850.00
8/1/2014	525,000.00	128,850.00	--	653,850.00
2/1/2015		118,350.00	--	118,350.00
8/1/2015	605,000.00	118,350.00	--	723,350.00
2/1/2016		106,250.00	--	106,250.00
8/1/2016	410,000.00	106,250.00	--	516,250.00
2/1/2017		96,000.00	--	96,000.00
8/1/2017	175,000.00	96,000.00	\$3,665,000.00	3,936,000.00
	\$2,280,000.00	\$1,319,350.00	\$3,665,000.00	\$7,264,350.00

SCHEDULE C

FEDERAL SECURITIES

(Verification Letter Exhibit A-2.)

EXHIBIT A

VERIFICATION LETTER

(See attached.)