

ESCROW AGREEMENT

DATED AS OF: November __, 2009

ESCROW AGENT: Wells Fargo Bank, National Association
707 Wilshire Blvd., 17th Floor
MAC: E2818-176
Los Angeles, California 90017

LESSOR: CaLease Public Funding Corporation
1100 K Street, Suite 101
Sacramento, California 95814

LESSEE: County of Santa Barbara, California
105 E. Anapamu Street, Room 303
Santa Barbara, California 93101

**LEASE AND
LEASEBACK**

AGREEMENT: Lease and Leaseback Agreement dated as of November __, 2009, between Lessor and Lessee

ESCROW DEPOSIT: \$1,600,000

**FINAL ACQUISITION
DATE:** _____, 20__

ESCROW FEE: \$ _____

WITNESSETH:

In the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE 1: RECITALS.

Section 1.01. Lessor and Lessee have entered into the Lease and Leaseback Agreement, a duplicate original of which has been furnished to Escrow Agent, whereby Lessor has agreed to finance for Lessee the costs of (i) renovating a portion of the two-story, 23,800 square-foot building owned by Lessee and located at 4440 Calle Real, Santa Barbara, California (said building but excluding the portion thereof currently leased to the Federal Bureau of Veterans Affairs, together with the land upon which the building is located, being referred to herein as the "Project"), and (ii) paying certain related expenses, and Lessee has agreed to make Rental Payments to Lessor, in the manner and on the terms set forth therein. This Escrow Agreement is not intended to alter or change the rights and obligations of Lessor and Lessee under the Lease, but is entirely supplemental thereto.

Section 1.02. In connection with the Lease and this Escrow Agreement, Lessor, Lessee and Escrow Agent have entered into a Tax Compliance Agreement dated as of November __, 2009 (the "Tax Compliance Agreement").

Section 1.03. The terms capitalized in this Escrow Agreement but not defined herein shall have the meanings given to them in the Lease and Leaseback Agreement.

Section 1.04. Under the Lease and Leaseback Agreement, upon satisfaction of all conditions contained therein, Lessor expects to deposit or cause to be deposited with Escrow Agent the Escrow Deposit to be credited to the Acquisition Fund established in **Article 2** hereof and used to pay a portion of the costs of the Project ("Project Costs"), and, to the extent not needed for this purpose, to pay or prepay principal coming due under the Lease and Leaseback Agreement, all as hereinafter provided.

Section 1.05. Under the Lease and Leaseback Agreement, Lessee will cause the Project to be acquired and constructed.

Section 1.06. Lessor and Lessee agree to employ Escrow Agent to receive, hold, invest and disburse the moneys paid to Escrow Agent by Lessor as described in **Section 1.04**, all as hereinafter provided; however, Escrow Agent shall not be obligated to assume or perform any obligation of Lessee or Lessor with respect thereto or under the Lease and Leaseback Agreement by reason of anything contained in this Escrow Agreement.

Section 1.07. Each of the parties has authority to enter into this Escrow Agreement, and has taken all actions necessary to authorize the execution of this Escrow Agreement by the officers whose signatures are affixed hereto.

ARTICLE 2: ACQUISITION FUND.

Section 2.01. Escrow Agent shall establish a special escrow fund designated as the "Acquisition Fund," shall keep such Fund separate and apart from all other funds and moneys held by it and shall administer such Fund as provided in this Escrow Agreement.

Section 2.02. All moneys paid to Escrow Agent by Lessor as contemplated by **Section 1.04** of this Escrow Agreement shall be credited to the Acquisition Fund. Escrow Agent shall use the moneys in the Acquisition Fund to pay Project Costs, upon receipt with respect thereto of a Payment Request Form attached hereto as **Exhibit A**, executed by Lessee and approved for payment by Lessor or its assignee, fully completed and with all supporting documents described therein attached thereto. Upon receipt of a Payment Request Form, an amount equal to the Project Cost as shown therein shall be paid directly to the person or entity entitled to payment as specified therein.

Section 2.03. On the Final Acquisition Date, Escrow Agent shall pay to Lessor any remaining balance on deposit in the Acquisition Fund. The amount paid to Lessor shall, at Lessor's election, be applied to pay the principal portion of the next Rental Payment thereafter coming due under the Lease and Leaseback Agreement or to pay and prepay a proportionate amount of the principal portion of all Rental Payments thereafter coming due under the Lease and Leaseback Agreement. Within 15 days after receiving such amount Lessor shall notify Lessee as to how it will be applied, and shall furnish to Lessee a new Rental Payment schedule reflecting any changes in Rental Payments due to any prepayment.

Section 2.04. Upon receipt of written notice from Lessor or Lessee that (a) the Leaseback has been terminated pursuant to **Section 24** thereof, (b) Lessee has determined not to complete the acquisition and construction of the Project or (c) Lessee has failed to appropriate funds for the Rental Payments due during the current or next succeeding fiscal year of Lessee, Escrow Agent shall liquidate all investments held in the Acquisition Fund and transfer the proceeds thereof and all other moneys held in the Acquisition Fund to Lessor. Lessee hereby agrees to provide to Lessor as soon as available proof of appropriations for all Rental Payments during the current and next succeeding fiscal year of Lessee.

Section 2.05. Escrow Agent shall only be responsible for the safekeeping and investment of the moneys held in the Acquisition Fund, and the disbursement thereof in accordance with this Article, and shall not be responsible for the authenticity or accuracy of such certifications or documents, the application of amounts paid pursuant to such certifications by the persons or entities to which they are paid, or the sufficiency of the moneys credited to the Acquisition Fund to make the payments herein required.

ARTICLE 3: MONEYS IN ACQUISITION FUND; INVESTMENT.

Section 3.01. The moneys and investments held by Escrow Agent under this Escrow Agreement are irrevocably held in trust for the benefit of Lessee and Lessor, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Escrow Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either Lessee or Lessor. Lessor, Lessee and Escrow Agent intend that the Acquisition Fund constitute an escrow account in which Lessee has no legal or equitable right, title or interest until satisfaction in full of all conditions contained herein for the disbursement of funds by Escrow Agent therefrom. However, if the parties' intention that Lessee shall have no legal or equitable right, title or interest until all conditions for disbursement are satisfied in full is not respected in any legal proceeding, the parties hereto intend that Lessor have a security interest in the Acquisition Fund, and such security interest is hereby granted to Lessor by Lessee, to secure payment of all sums due to Lessor under the Lease and Leaseback Agreement. For such purpose, Escrow Agent hereby agrees to act as agent for Lessor in connection with the perfection of such security interest and agrees to note, or cause to be noted, on all books and records relating to the Acquisition Fund, Lessor's interest therein.

Section 3.02. Moneys held by Escrow Agent hereunder shall be invested and reinvested by Escrow Agent upon order of Lessee only in Qualified Investments, as defined in **Section 3.05**. Such investments shall be registered in the name of Escrow Agent and held by Escrow Agent for the benefit of Lessor and Lessee. With the approval of Lessee, Escrow Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Article. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available.

Section 3.03. Escrow Agent shall, without further direction from Lessee, sell such investments as and when required to make any payment from the Acquisition Fund. Any income received on such investments shall be credited to the Acquisition Fund.

Section 3.04. Escrow Agent shall furnish to Lessee and Lessor, reports accounting for all investments and interest and income therefrom. Such accounting shall be furnished no less frequently than every three months and upon request of Lessor or Lessee. Neither Lessor nor Escrow Agent shall be responsible or liable for any loss suffered in connection with any investment of moneys made by Escrow Agent in accordance with this Article (other than Escrow Agent in its capacity as obligor under any Qualified Investment). In the event funds in the Acquisition Fund are insufficient to pay the Project Costs, Lessee shall deposit additional funds into the Acquisition Fund.

Section 3.05. As used in this Escrow Agreement, the term "Qualified Investments" means (a) securities which are general obligations of or are guaranteed as to the payment of principal and interest by the United States of America; (b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; (c) commercial paper issued by corporations organized under the laws of a state of the United States which is rated in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service, Inc.; (d) money market funds registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and which have a rating of "AAAm-G", "AAAm" or "AAm" of Standard & Poor's Corporation; or (e) certificates of deposit issued by or other forms of deposit in any national or state bank to the extent that such deposits are fully insured by the Federal Deposit Insurance Corporation or any successor agency which is backed by the full faith and credit of the United States. Derivative products are not "Qualified Investments."

Section 3.06. Lessee and Escrow Agent shall comply with the Tax Compliance Agreement, including without limitation the calculation and payment to the United States of any rebate required to preserve the exclusion of the interest components of Rental Payments from gross income for federal income tax purposes. The Tax Compliance Agreement shall be amended at any time, without action by any party hereto, if in the opinion of nationally recognized counsel in the area of tax-exempt municipal obligations satisfactory to Lessor such amendment is necessary or desirable to ensure that the interest component of Rental Payments are excludable from gross income for federal income tax purposes. Neither such instructions, whether or not amended, nor any failure to amend such

instructions shall affect or diminish any obligation of Lessee under the Lease and Leaseback Agreement, including without limitation Section 8 thereof.

ARTICLE 4: ESCROW AGENT'S AUTHORITY; INDEMNIFICATION.

Section 4.01. Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited with it, nor as to the identity, authority or right of any person executing the same; and its duties hereunder shall be limited to those specifically provided herein.

Section 4.02. Unless Escrow Agent is guilty of negligence or misconduct with regard to its duties hereunder, Lessee, to the extent permitted by law, agrees to indemnify Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Escrow Agreement; and in connection therewith, to indemnify Escrow Agent against any and all expenses, including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim. Escrow Agent shall be vested with a lien on all property deposited hereunder for indemnification, for reasonable attorneys' fees, court costs, for any suit, interpleader or otherwise, or any other expenses, fees or charges of any character or nature, which may be incurred by Escrow Agent by reason of disputes arising between Lessee and Lessor as to the correct interpretation of the Lease and Leaseback Agreement or this Escrow Agreement and instructions given to Escrow Agent hereunder, or otherwise, with the right of Escrow Agent, regardless of the instructions aforesaid, to hold the said property until and unless said additional expenses, fees and charges shall be fully paid.

Section 4.03. If Lessee or Lessor shall be in disagreement about the interpretation of the Lease and Leaseback Agreement or this Escrow Agreement, or about the rights and obligations, or the propriety of any action contemplated by Escrow Agent hereunder, Escrow Agent may, but shall not be required to, file an appropriate civil action to resolve the disagreement. Escrow Agent shall be indemnified for all costs, including reasonable attorneys' fees, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under this Escrow Agreement until a final judgment in such action is received.

Section 4.04. Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. Escrow Agent shall otherwise not be liable for any mistakes of facts or errors of judgment, or for any acts or omissions of any kind unless caused by its negligence or misconduct.

ARTICLE 5: ESCROW AGENT'S COMPENSATION.

Lessor hereby agrees to pay Escrow Agent the Escrow Fee as compensation for the services to be rendered hereunder. Escrow Agent's fee shall be payable upon execution of this Escrow Agreement. Lessor is not responsible for any other fees or expenses of the Escrow agent hereunder.

ARTICLE 6: CHANGE OF ESCROW AGENT.

Section 6.01. A national banking association located in the United States or a state bank or trust company organized under the laws of a state of the United States, qualified as a depository of public funds, may be substituted to act as Escrow Agent under this Escrow Agreement upon agreement of the parties hereto. Such substitution shall not be deemed to affect the rights or obligations of the parties. Upon any such substitution, Escrow Agent agrees to assign to such substitute Escrow Agent its rights under this Escrow Agreement.

Section 6.02. Escrow Agent or any successor may at any time resign by giving mailed notice to Lessee and Lessor of its intention to resign and of the proposed date of resignation, which shall be a date not less than 30 days

after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by Lessee and Lessor.

Section 6.03. Escrow Agent may appoint an agent to exercise any of the powers, rights or remedies granted to Escrow Agent under this Escrow Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

ARTICLE 7: ADMINISTRATIVE PROVISIONS.

Section 7.01. Escrow Agent shall keep complete and accurate records of all moneys received and disbursed under this Escrow Agreement, which shall be available for inspection by Lessee or Lessor, or the agent of either of them, at any time during regular business hours.

Section 7.02. All notices hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified beneath each party's signature; provided that the parties, by notice given hereunder, may designate different addresses to which subsequent notices will be sent.

Section 7.03. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 7.04. Any provisions of this Escrow Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Escrow Agreement or the Lease and Leaseback Agreement.

Section 7.05. This Escrow Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Specifically, as used herein the term "Lessor" means any person or entity to whom Lessor has assigned its right to receive Rental Payments under the Lease and Leaseback Agreement and any payments due to Lessor hereunder from after the date when a duplicate original of such assignment is filed with Escrow Agent.

Section 7.06. This Escrow Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Escrow Agreement.

Section 7.07. This Escrow Agreement shall terminate upon disbursement by Escrow Agent of all moneys held by it hereunder.

Section 7.08. This Escrow Agreement (and, with respect to Lessor and Lessee, together with the Lease and Leaseback Agreement) constitutes the entire agreement of the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Escrow Agreement as of the date first written above.

Escrow Agent:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____
Title: Assistant Vice President
Address: 707 Wilshire Blvd., 17th Floor
MAC: E2818-176
Los Angeles, California 90017
Attention: Corporate Trust Department
Telephone: (213) 614-3328
Facsimile: (213) 614-3355

Lessor:

CALEASE PUBLIC FUNDING CORPORATION

By _____
Title: Program Manager
Address: 2033 N. Main Street, Suite 700
Walnut Creek, California 94596
Attention: Terrence Murphy
Telephone: (925) 933-9229 ext. 223
Facsimile: (925) 933-8457

Lessee:

**COUNTY OF SANTA BARBARA,
CALIFORNIA, as Lessee**

By _____
Name: _____
Title: _____

**ATTEST:
MICHAEL F. BROWN
CLERK OF THE BOARD**

By _____
Deputy

**APPROVED AS TO FORM:
DENNIS A. MARSHALL
COUNTY COUNSEL**

**APPROVED AS TO FORM:
ROBERT W. GEIS
AUDITOR-CONTROLLER**

By _____
Deputy County Counsel

By _____
Deputy

APPROVED:

APPROVED:

By _____
Ronn Carlentine SR/WA
Real Property Manager

By _____
Ray Aromatorio
Risk Program Administrator

EXHIBIT A

PAYMENT REQUEST FORM NO. ____

ESCROW

AGREEMENT: Escrow Agreement dated as of November __, 2009, among Escrow Agent, Lessor and Lessee

ESCROW AGENT: Wells Fargo Bank, National Association

LESSOR: CaLease Public Funding Corporation

LESSEE: County of Santa Barbara, California

ASSIGNEE: Capital One Public Funding, LLC

**LEASE AND
LEASEBACK**

AGREEMENT: Lease and Leaseback Agreement dated as of November __, 2009, between Lessor and Lessee

Escrow Agent is hereby requested to pay, from the Acquisition Fund held under the Escrow Agreement, to the persons, firms or corporations designated below as payee, the amount set forth opposite each such name, in payment of the Project Costs (as defined in the Escrow Agreement) designated opposite such payee's name and account and described on the attached page(s).

<u>Payee</u>	<u>Amount</u>	<u>Project Cost Description</u>
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The undersigned Lessee hereby certifies that:

1. The payments to be made to the payees set forth above are for the costs described above that (a) have been made or incurred by Lessee and, if payment to Lessee is requested, have been paid by Lessee or, if payment to Lessee is not requested, are presently due to the persons to whom payment is requested and (b) are valid Project Costs for the Project and are proper charges against the Acquisition Fund. No part thereof was included in any other request previously filed with Escrow Agent.

2. The amount remaining in the Acquisition Fund is sufficient to pay the remaining Project Costs for the completion of the Project.

3. All necessary permits and approvals required for the portion of the work on the Project for which payment is requested have been issued and are in full force and effect.

4. There has not been filed with or served upon Lessee any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amounts stated in this request which has not been released or will not be released simultaneously with the payment of such obligation, except to the extent any such lien is being contested in accordance with the provisions of the Lease and Leaseback Agreement.

5. All of Lessee's representations, covenants and warranties contained in the Lease and Leaseback Agreement were true and accurate in all material respects as of the date made, and remain true and accurate in all material respects as of the date of this Payment Request Form, and Lessee has fully and satisfactorily performed all of its covenants and obligations to date required under the Lease and Leaseback Agreement.

6. This request for payment contains no items representing payment on account of any retained percentage entitled to be retained by Lessee at the date hereof.

7. Attached hereto as **Attachment A** are invoices and/or statements relating to the payments being requested and, if any of them have been paid by Lessee, evidence of payment thereof.

8. Attached hereto as **Attachment B** are lien waivers, for all services and materials included in the costs for which payment is hereby requested.

9. This request does not request reimbursement for any payment or payments for any obligations originally paid or incurred, for federal income tax purposes more than 60 days before the date Lessee adopted its resolution indicating its official intent to enter into the Lease and Leaseback Agreement.

10. Lessee understands that Escrow Agent is relying on the certifications herein with regard to and in connection with approving the disbursement requested hereby.

11. No Event of Default, or event which with the giving of notice or passage of time or both would constitute an Event of Default, has occurred.

Dated: _____

COUNTY OF SANTA BARBARA, CALIFORNIA
Lessee

By: _____
Title: _____
Date: _____

Received and Approved for Payment:

CAPITAL ONE PUBLIC FUNDING, LLC
(As the assignee of the original Lessor)

By: _____
Title: _____
Date: _____

ATTACHMENT A
INVOICES AND/OR STATEMENTS

**ATTACHMENT B
LIEN WAIVERS**