

ESCROW NO.: 1073
ACCOUNT NO.: 14-900788

ESCROW AGREEMENT FOR
SECURITY DEPOSITS IN LIEU OF RETENTION

THIS ESCROW AGREEMENT FOR SECURITY DEPOSITS IN LIEU OF RETENTION (hereinafter called the "Agreement") is made and entered into on this **20th** day of **August, 2007**, by and between **City of Redlands**, whose address is P.O. Box 3005, Redlands, CA 92373 (hereinafter called "Owner"), **All American Asphlat**, whose address is P.O. Box 2229, Corona, CA 92878 (hereinafter called "Contractor"), and **Community Bank**, a California banking corporation, whose address is 505 E. Colorado Boulevard, Pasadena, California 91101 (hereinafter called "Escrow Agent").

WHEREAS, the parties desire to establish an escrow account with Escrow Agent (the "Escrow Account") pursuant to the provisions of Section 22300 of the California Public Contract Code.

NOW, THEREFORE, for the consideration hereinafter set forth, the Owner, Contractor, and Escrow Agent agree as follows:

1. Pursuant to Section 22300 of the Public Contract Code of the State of California, the Contractor has the option to deposit securities with Escrow Agent as a substitute for retention earnings required to be withheld by the Owner pursuant to the Construction Contract entered into between the Owner and the Contractor dated **August 7, 2007**, for **07/08 Resurfacing Program Contract No. 101304-7230** in the amount of **\$402,933.00** (hereinafter referred to as the "Contract"). Alternatively, on written request of the Contractor, the Owner shall make payments of the retention earnings directly to the Escrow Agent. When the Contractor deposits the securities as a substitute for Contract earnings, the Escrow Agent shall notify the Owner within ten (10) days of the deposit. The market value of the securities at the time of the substitution shall be at least equal to the cash amount then required to be withheld as retention under the terms of the Contract between the Owner and the Contractor. Securities shall be held in the name of **City of Redlands**, and shall designate the Contractor as the beneficial owner.
2. The Owner shall make progress payments to the Contractor for those funds which otherwise would be withheld from progress payments pursuant to the Contract provisions, provided that the Escrow Agent holds securities in the form and amount specified above.
3. When the Owner makes payment of the retentions earned directly to the Escrow Agent, the Escrow Agent shall hold them for the benefit of the Contractor until the time that the escrow created under this Agreement is terminated. The Contractor may direct the investment of the payments into securities. All terms and conditions of this Agreement and the rights and responsibilities of the parties shall be equally applicable and binding when the Owner pays the Escrow Agent directly.
4. The Contractor shall be responsible for paying all fees for the expenses incurred by the Escrow Agent in administering the Escrow Account and all expenses of the Owner. These expenses and payment terms shall be determined by the Owner, the Contractor and the Escrow Agent.

5. The interest earned on the securities or the money market accounts held in escrow and all interest earned on that interest shall be for the sole account of the Contractor and shall be subject to withdrawal by the Contractor at any time and from time to time without notice to the Owner.

6. The Contractor shall have the right to withdraw all or any part of the principal in the Escrow Account only by written notice to the Escrow Agent accompanied by written authorization from the Owner to the Escrow Agent that the Owner consents to the withdrawal of the amount sought to be withdrawn by the Contractor.

7. The Owner shall have a right to draw upon the securities in the event of default by the Contractor. Upon seven days' written notice to the Escrow Agent from the Owner of the default, the Escrow Agent shall immediately convert the securities to cash and shall distribute the cash as instructed by the Owner.

8. Upon receipt of written notification from the Owner certifying that the Contract is final and complete, and that the Contractor has complied with all requirements and procedures applicable to the Contract, the Escrow Agent shall release to the Contractor all securities and interest on deposit less escrow fees and charges of the Escrow Account. The escrow shall be closed immediately upon disbursement of all moneys and securities on deposit and payments of fees and charges.

9. The Escrow Agent shall rely on the written notifications from the Owner and the Contractor pursuant to Sections 5 to 8, inclusive, of this Agreement and the Owner and the Contractor shall hold the Escrow Agent harmless from the Escrow Agent's release and disbursement of the securities and interest as set forth above.

10. The names of the persons who are authorized to give written notice or to receive written notice on behalf of the Owner and on behalf of the Contractor in connection with the foregoing, and exemplars of their respective signatures are as follows:

On behalf of the Owner:

City of Redlands

Name: JON HARRISON

Title: MAYOR

Signature:

Address: P.O. Box 3005
Redlands, CA 92373

On behalf of the Contractor:

All American Asphalt

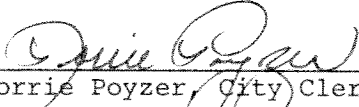
Name: Mark Luer

Title: Vice President

Signature:

Address: P.O. Box 2229
Corona, CA 92878

ATTEST:


Lorrie Poyzer, City Clerk

On behalf of the Escrow Agent:
COMMUNITY BANK

Name: **Leslie K. Buhl**

Title: **Vice President**

Signature: _____

Address: 505 E. Colorado Blvd.
Pasadena, Ca 91101
(626) 568-2232

At the time the escrow account is opened, the Owner and the Contractor shall deliver to the Escrow Agent a fully executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by their proper officers on the date first set forth above.

OWNER:

City of Redlands

Title: **MAYOR**

Name: **JON HARRISON**

Signature: _____

ATTEST:

Lorrie Poyzer, City Clerk

CONTRACTOR:

All American Asphalt

Title: **Vice President**

Name: **Mark Luer**

Signature: _____