

ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Agreement"), dated June __, 2015, is between the MARINA COAST WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the "District"), and MUFU UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the 2006 Certificates described below and as 2006 Trustee as defined below (the "Escrow Agent").

BACKGROUND:

1. In order to finance the acquisition, construction of improvements to its water and wastewater enterprises, the District has previously entered into an Installment Sale Agreement dated as of August 1, 2006 (the "2006 Installment Sale Agreement"), between the District and the Public Property Financing Corporation of California (the "Financing Corporation"), under which the District is obligated to pay semiannual installment payments (the "2006 Installment Payments") which are secured by a pledge of and lien on the net revenues of the Enterprises (the "Net Revenues").

2. Under the 2006 Installment Sale Agreement, the 2006 Installment Payments are subject to prepayment in whole or in part on any date on or after June 1, 2016, and such prepayments will be applied to pay and prepay the outstanding Enterprise Revenue Certificates of Participation, Series 2006, which have been executed and delivered in the aggregate original principal amount of \$42,310,000 (the "2006 Certificates") under a Trust Agreement dated as of August 1, 2006 (the "2006 Trust Agreement"), among the District, the Financing Corporation and Union Bank, N.A., as trustee.

3. In order to provide funds to pay and prepay the 2006 Installment Payments and thereby provide funds to pay and prepay the 2006 Certificates, the District has authorized the issuance of its Marina Coast Water District 2015 Senior Lien Enterprise Revenue Refunding Bonds in the aggregate principal amount of \$_____ (the "2015 Bonds").

4. MUFU Union Bank, N.A. acts as trustee for the 2006 Certificates (the "2006 Trustee") and as trustee for the 2015 Bonds (the "2015 Trustee").

5. The District wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and prepayment of the 2006 Installment Payments pursuant to the 2006 Installment Sale Agreement, and the corresponding payment and prepayment of the 2006 Certificates pursuant to the 2006 Trust Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District and the Escrow Agent hereby agree as follows:

SECTION 1. *Definition of Federal Securities.* As used herein, the term “Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

SECTION 2. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The District hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to (a) pay and prepay the 2006 Installment Payments in accordance with Section 7.2 of the 2006 Installment Sale Agreement, and (b) pay and prepay the 2006 Certificates in accordance with Section 4.01(a) of the 2006 Trust Agreement.

The Escrow Agent is hereby directed to establish an escrow fund (the “Escrow Fund”) to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment and prepayment of the 2006 Installment Payments in accordance with Section 7.2 of the 2006 Installment Sale Agreement, and the payment and prepayment of the 2006 Certificates in accordance with Section 4.01(a) of the 2006 Trust Agreement. If at any time the Escrow Agent receives actual knowledge that the cash and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 5, the Escrow Agent shall notify the District of such fact and the District shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 3. *Deposit of Amounts in Escrow Fund.* On June __, 2015 (the “Closing Date”), the District shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the following sources:

- (a) from the proceeds of the 2015 Bonds in the amount of \$_____;
- (b) from amounts held in the Reserve Fund established under Section 3.04 of the 2006 Trust Agreement (the “2006 Reserve Fund”), in the amount of \$_____; and
- (c) from amounts held in the Installment Payment Fund established under Section 5.02 of the 2006 Trust Agreement (the “2006 Installment Payment Fund”).

SECTION 4. *Investment of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall invest \$_____ of the amount deposited into the Escrow Fund in the following Federal Securities:

<u>Type of Security</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Purchase Price</u>
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The Escrow Agent shall hold the remaining \$_____ of such amount in cash uninvested. All Federal Securities and cash shall be deposited with and held by the Escrow Agent in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Agent shall have no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

SECTION 5. *Application of Funds.* All cash and Federal Securities in the Escrow Fund shall be and are hereby irrevocably pledged as a special fund for the payment and prepayment of the 2006 Installment Payments, and the corresponding payment and prepayment of the 2006 Certificates, in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Principal</u>	<u>Prepaid Principal</u>	<u>Total Payment</u>
December 1, 2015	\$	\$	\$	\$
June 1, 2016				

Following payment in full of the 2006 Installment Payments and the 2006 Certificates and any amounts then owed to the Escrow Agent, all amounts on deposit in the Escrow Fund shall be transferred by the Escrow Bank to the 2015 Bond Trustee, to be deposited in the Bond Fund which is established with respect to the 2015 Bonds and applied to pay interest next coming due and payable on the 2015 Bonds.

SECTION 6. *Irrevocable Election to Prepay the 2006 Certificates.* The District hereby irrevocably elects to prepay the 2006 Certificates in full on June 1, 2016 (the "Prepayment Date"), in accordance with the provisions of Section 4.01(a) of the 2006 Trust Agreement. The Escrow Agent give notice of such prepayment of the 2006 Certificates, in its capacity as 2006 Trustee, in accordance with Section 4.03 of the 2006 Trust Agreement, at the expense of the District.

SECTION 7. *Transfer of 2006 Funds.* On the Closing Date, amounts held by the Escrow Agent, in its capacity as 2006 Trustee, in the 2006 Reserve Fund and the 2006 Installment Payment Fund shall be withdrawn therefrom and transferred to the 2015 Paying Agent for deposit in the Escrow Fund in accordance with the provisions of Section 3. All amounts held by the 2006 Trustee under the 2006 Trust Agreement and not required to be deposited into the Escrow Fund under Section 3 shall be transferred to the 2015 Trustee and deposited in the Bond Fund which is established with respect to the 2015 Bonds, to be applied to pay interest next coming due and payable on the 2015 Bonds.

SECTION 8. *Compensation to Escrow Agent.* The District shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any Federal Securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right

of set off against the cash and Federal Securities at any time on deposit in the Escrow Fund.

The District shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 9. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be permitted to make any investments of amounts held by it in the Escrow Fund. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and Federal Securities to pay the principal and interest represented by the 2006 Certificates.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the District and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to

the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the District, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

SECTION 10. *Furnishing of Statements.* The Escrow Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 11. *Electronic Communications.* The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; *provided, however,* that (a) the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing, and (b) an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder. If the District elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon

such instructions, the Escrow Agent understanding of such instructions shall be deemed controlling. The Escrow Agent is not liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 12. *Termination of Agreement.* Upon payment and prepayment in full of the 2006 Certificates, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 13. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

MARINA COAST WATER DISTRICT

By: _____
General Manager

MUFG UNION BANK, N.A.,
as Escrow Agent and as 2006 Trustee

By _____
Authorized Officer