

ESCROW AGREEMENT

by and between

ORANGE COUNTY SANITATION DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee**

Dated as of July 1, 2021

**Orange County Sanitation District
Revenue Refunding Certificate Anticipation Notes, Series 2018A**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this “Escrow Agreement”), dated as of July 1, 2021, is by and between the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the “Escrow Agent”) and as trustee under the Prior Trust Agreement referenced below (the “Prior Trustee”).

WITNESSETH:

WHEREAS, to refinance certain improvements to its wastewater system (the “Prior Project”), the District has heretofore purchased the Prior Project from the Orange County Sanitation District Financing Corporation (the “Corporation”), and the Corporation has heretofore sold the Prior Project to the District, for the installment payments (the “Prior Installment Payments”) to be made by the District pursuant to the Installment Purchase Agreement, dated as of November 1, 2018 (the “Prior Installment Purchase Agreement”), by and between the District and the Corporation;

WHEREAS, to provide the funds necessary to refinance the Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Revenue Refunding Certificate Anticipation Notes, Series 2018A (the “Prior Notes”), evidencing direct, undivided fractional interests in the related Prior Installment Payments, pursuant to the Trust Agreement, dated as of November 1, 2018 (the “Prior Trust Agreement”), by and among the Prior Trustee, the Corporation and the District;

WHEREAS, the District has determined to refinance the Prior Project by paying and prepaying the principal components of the Prior Installment Payments (the “Refunded Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be prepaid the currently outstanding Prior Notes in the aggregate principal amount of \$102,200,000 (the “Refunded Notes”);

WHEREAS, to provide the funds necessary to pay and prepay the Refunded Installment Payments and for certain other purposes, the District has caused to be executed and delivered the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2021A (the “Revenue Obligations”), evidencing principal in the aggregate amount of \$_____, pursuant to the Trust Agreement, dated as of July 1, 2021, by and among U.S. Bank National Association, as trustee, the Corporation and the District;

WHEREAS, in accordance with the Prior Trust Agreement, the prepayment of the Refunded Installment Payments will be applied to the prepayment of the outstanding Refunded Notes on August 1, 2021 (the “Prepayment Date”) at a prepayment price equal to the principal amount thereof plus accrued interest thereon, without premium (the “Prepayment Price”), pursuant to this Escrow Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement.

Section 2. The Escrow Fund. (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the District and the Escrow Agent and to be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged solely to the payment of the interest evidenced by the Refunded Notes to and including the Prepayment Date and the payment of the Prepayment Price on the Prepayment Date, which amounts shall be held in trust by the Escrow Agent for the Owners of the Refunded Notes.

(b) The Prior Trustee is hereby instructed to release \$ _____ (the “Prior Debt Service Release”) held in the Installment Payment Fund established under the Prior Trust Agreement for deposit in the Escrow Fund. As reflected in the report of [_____], a nationally recognized firm of independent certified public accountants, delivered in connection herewith, upon the execution and delivery of the Revenue Obligations, there shall be deposited in the Escrow Fund \$ _____ received from the proceeds of the sale of the Revenue Obligations and \$ _____ from the Prior Debt Service Release, for a total of \$ _____ (the “Escrow Deposit”).

(c) The District has determined or caused to be determined that upon the deposit of the Escrow Deposit pursuant to Section 2(b) hereof, the moneys on deposit in the Escrow Fund will be sufficient to make the payments required by Section 4 hereof.

Section 3. Use of Moneys in Escrow Fund. (a) The Escrow Agent hereby acknowledges deposit of the moneys described in Section 2(b) hereof. The Escrow Agent shall hold moneys credited to the Escrow Fund uninvested.

(b) The Owners of the Refunded Notes shall have a first and exclusive lien on the moneys credited to the Escrow Fund until such moneys are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to prepay in full then outstanding Refunded Notes on the Prepayment Date.

(c) Without limiting subsection (a) of this Section, as required by Section 10.01(d) of the Prior Trust Agreement, no substitution of Government Obligations shall be permitted except with other Government Obligations and upon delivery of a new Verification and no reinvestment of Government Obligations shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification.

Section 4. Payment of Refunded Notes. From the money held in the Escrow Fund, the Escrow Agent shall apply such amounts to the payment of the interest evidenced by the Refunded Notes to and including the Prepayment Date and to the payment of the Prepayment Price of the Refunded Notes on the Prepayment Date, all as set forth in Schedule I hereto. To the extent that the amount on deposit in the Escrow Fund on the Prepayment Date is in excess of the amount necessary to make the required payments with respect to the Refunded Notes, such excess shall be transferred to the Trustee for deposit in the Installment Payment Fund established under the Prior Trust Agreement.

Section 5. Irrevocable Instructions to Mail Defeasance Notice; Delivery of Prepayment Notice. The District hereby irrevocably instructs the Prior Trustee to give notice on the date of delivery of the Revenue Obligations of defeasance of the Refunded Notes to the Owners thereof, substantially in the form set forth in Exhibit A hereto. The District hereby confirms designation of the Refunded Notes for prepayment on the Prepayment Date. The Prior Trustee certifies that on July ___, 2021, in accordance with the provisions of the Prior Trust Agreement and the written request of the District, the Prior Trustee gave notice of prepayment of such Refunded Notes to the Owners thereof and a true and correct copy of the notice is attached as Exhibit B.

Section 6. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions. The Escrow Agent hereby agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it.

Section 7. Reserved.

Section 8. Escrow Agent's Authority to Transfer or Dispose of Funds. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided herein.

Section 9. Indemnity. To the extent permitted by law, the District hereby assumes liability for, and hereby agrees 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, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time 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 moneys deposited therein, and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the District 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 makes no representation as to the sufficiency of the funds deposited in accordance with Section 2(b) to accomplish the prepayment of the Refunded Notes pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the District 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 District, 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 (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

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. Nothing in this paragraph limits Section 3.1(a).

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 may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder.

Section 11. Amendments. The District and the Escrow Agent may (but only with the consent of the Owners of all of the Refunded Notes) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

Section 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Notes have been paid in accordance with this Escrow Agreement.

Section 13. Compensation. The District shall from time to time pay or cause to be paid to the Escrow Agent the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Agent for all of its reasonable advances in the exercise and performance of its duties hereunder; 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 or otherwise.

Section 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District 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.

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

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee

By: _____
Authorized Officer

ORANGE COUNTY SANITATION DISTRICT

By: _____
Lorenzo Tyner, Assistant General Manager,
Director of Finance and Administrative Services

SCHEDULE I

PAYMENT REQUIREMENTS OF THE REFUNDED NOTES

Payment Date	Interest	Principal Prepaid	Total
8/1/2021	\$2,356,277.78	\$102,200,000.00	\$104,556,277.78

EXHIBIT A

NOTICE OF DEFEASANCE

ORANGE COUNTY SANITATION DISTRICT
REVENUE REFUNDING CERTIFICATE ANTICIPATION NOTES, SERIES 2018A

<u>Maturity Date (August 15)</u>	<u>Principal Amount Outstanding</u>	<u>CUSIP Number* (68428P)</u>
2021	\$102,200,000	FH3

NOTICE IS HEREBY GIVEN that on July __, 2021, the Orange County Sanitation District (the “District”) caused to be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), pursuant to an Escrow Agreement, dated as of July 1, 2021, by and between the District and the Escrow Agent, proceeds of its Wastewater Refunding Revenue Obligations, Series 2021A, together with other available monies, which will be sufficient to prepay on August 1, 2021 (the “Prepayment Date”) all of the principal evidenced by the District’s Revenue Refunding Certificate Anticipation Notes, Series 2018A (the “Refunded Notes”), plus accrued interest evidenced thereby to the Prepayment Date, without premium (the “Prepayment Price”). The Escrow Agent is obligated to pay or cause to be paid to the Owners of the Refunded Notes all sums due thereon, but only from moneys deposited with the Escrow Agent as described in this paragraph. As a result of such deposit, the Refunded Notes are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of November 1, 2018, by and amount U.S. Bank National Association, as Trustee, the Orange County Sanitation District Financing Corporation and the District, pursuant to which the Refunded Notes were executed and delivered.

Dated: _____, 2021

By: U.S. BANK NATIONAL ASSOCIATION,
as Trustee and Escrow Agent on behalf of the Orange
County Sanitation District

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Trustee/Escrow Agent shall have any responsibility for any defect in the CUSIP numbers that appear in this defeasance notice. The CUSIP numbers have been assigned by an independent service for convenience of reference, and neither the District nor the Trustee/Escrow Agent shall not be liable for any inaccuracy in such number.

EXHIBIT B

COPY OF NOTICE OF PREPAYMENT

(Attached.)