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**ESCROW AGREEMENT**

**by and between**

**ORANGE COUNTY SANITATION DISTRICT**

**and**

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

**Dated as of November 1, 2023**

**Orange County Sanitation District  
Wastewater Refunding Revenue Obligations, Series 2014A**

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## **ESCROW AGREEMENT**

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of November 1, 2023, 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 TRUST COMPANY, 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 successor trustee (the “Prior Trustee”) to MUFG Union Bank, N.A. under the Prior Trust Agreement referenced below.

### **WITNESSETH:**

**WHEREAS**, to refinance the acquisition, construction and installation of 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 August 1, 2014 (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 Wastewater Refunding Revenue Obligations, Series 2014A (the “Prior Obligations”), evidencing direct, undivided fractional interests in the related Prior Installment Payments, pursuant to the Trust Agreement, dated as of August 1, 2014 (the “Prior Trust Agreement”), by and among the Prior Trustee, the Corporation and the District;

**WHEREAS**, the District has determined to refinance a portion of the Prior Project by paying and prepaying a portion of the remaining principal components of the Prior Installment Payments (the “Refunded Installment Payments”), and the interest components thereof to the date of payment and prepayment, thereby causing to be paid or prepaid a portion of the currently outstanding Prior Obligations maturing on February 1 in the years 2024 through 2027, inclusive, in the aggregate principal amount of \$39,180,000 (the “Refunded Obligations”);

**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 2023A (the “Revenue Obligations”), evidencing principal in the aggregate amount of \$\_\_\_\_\_, pursuant to the Trust Agreement, dated as of November 1, 2023, by and among U.S. Bank Trust Company, National Association, as trustee, the Corporation and the District;

**WHEREAS**, in accordance with the Prior Trust Agreement, the payment and prepayment of the Refunded Installment Payments will be applied to the payment of the interest evidenced by the Refunded Obligations to and including February 1, 2024 (the “Prepayment Date”), to the payment at maturity of the Refunded Obligations maturing on February 1, 2024, and to the prepayment of the outstanding Refunded Obligations on 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 Obligations to and including the Prepayment Date, the payment of the principal at maturity of the Refunded Obligations maturing on the February 1, 2024, and the payment of the Prepayment Price on the Prepayment Date of the remaining Refunded Obligations, which amounts shall be held in trust by the Escrow Agent for the Owners of the Refunded Obligations.

(b) The Prior Trustee is hereby instructed to transfer \$\_\_\_\_\_ (the "District Funds") 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 District Funds, 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, \$\_\_\_\_\_ of the moneys on deposit in the Escrow Fund will be invested in the Government Obligations specified in Schedule I hereto which, together with uninvested cash in the amount of \$\_\_\_\_\_, 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 and agrees to invest such moneys credited to the Escrow Fund described in Section 2(c) in the Government Obligations specified in Schedule I hereto.

(b) The Owners of the Refunded Obligations shall have a first and exclusive lien on the moneys and Government Obligations credited to the Escrow Fund until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to pay interest evidenced by the Refunded Obligations to and including the Prepayment Date, to pay the principal at maturity of the Refunded Obligations maturing on the February 1, 2024, and to prepay in full then outstanding Refunded Obligations maturing on February 1, 2025 through 2027, inclusive, on the Prepayment Date.

(c) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement.

**Section 4. Payment of Refunded Obligations.** From the uninvested money and proceeds of maturing Government Obligations held in the Escrow Fund, the Escrow Agent shall apply such amounts to the payment of the interest evidenced by the Refunded Obligations to and including the Prepayment Date, the payment of the principal at maturity of the Refunded Obligations maturing on the February 1, 2024, and to the payment of the Prepayment Price of the Refunded Obligations maturing on February 1, 2025 through 2027 on the Prepayment Date, all as set forth in Schedule II 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 Obligations, 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 Notices.** 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 Obligations to the Owners thereof, substantially in the form set forth in Exhibit A hereto. The District hereby designates the Refunded Obligations maturing on February 1, 2025 through 2027, inclusive, for prepayment on the Prepayment Date and hereby irrevocably instructs the Prior Trustee, to give, in accordance with the provisions of Section 4.04 of the Prior Trust Agreement, notice of prepayment of such Refunded Obligations to the Owners thereof, substantially in the form set forth in Exhibit B hereto.

**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. Substitution of Government Obligations.** (a) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of the initial Government Obligations held in and credited to the Escrow Fund; provided that, subject to paragraph (c) below, there are substituted therefor and delivered to the Escrow Agent other Government Obligations as hereinafter provided.

(b) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall reinvest cash balances in the Escrow Fund in Government Obligations; provided, that any such securities purchased pursuant to this paragraph (b) shall mature (1) on the next Interest Payment Date for any of the Refunded Obligations or (2) on such other date or dates as necessary to meet the requirements of Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants.

(c) The District, by this Escrow Agreement, hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in paragraph (a) or (b) above in any manner, which if such exercise of powers had been reasonably expected on the date of delivery of the Refunded Obligations, would cause any of the Refunded Obligations to be arbitrage bonds within the meaning of section 103(c) of the Internal Revenue Code of 1986 (the "Code"),

and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the date of such Refunded Obligations. Any purchase of substitute securities by the Escrow Agent shall be accomplished in accordance with paragraph (a) above to the extent such purchases are to be made with the proceeds derived from the sale, transfer, redemption or other disposition of the Government Obligations. Such sale, transfer, redemption or other disposition of the Government Obligations and such substitution may be effected only by a simultaneous transaction and only if (i) a nationally recognized firm of independent certified public accountants shall certify that (a) such substitute securities, together with the Government Obligations and cash which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys will be available from such maturing principal and interest to pay, as the same become due, all principal, premium and interest payable with respect to the Refunded Obligations which have not previously been paid, and (b) the amounts and dates of the anticipated payments by the Escrow Agent of the principal, premium and interest payable with respect to the Refunded Obligations will not be diminished or postponed thereby, (ii) the Escrow Agent shall have received an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of the Government Obligations does not cause interest on either the Revenue Obligations or the Refunded Obligations to be subject to federal income taxation under relevant provisions of the Code and the regulations thereunder in effect on the date of such sale, transfer, redemption or other disposition and substitution and applicable to obligations issued on the date of execution and delivery of the Revenue Obligations.

**Section 8. Escrow Agent's Authority to Make Investments.** Except as expressly provided in Sections 3 and 7 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement. 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) and

invested pursuant to Section 3(a) and earnings thereof, if any, to accomplish the payment and prepayment of the Refunded Obligations 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 Obligations) 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 Obligations 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 TRUST COMPANY, NATIONAL  
ASSOCIATION,**  
as Escrow Agent and Prior Trustee

By: \_\_\_\_\_  
Authorized Officer

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Wally Ritchie, Director of Finance



## SCHEDULE I

### INITIAL GOVERNMENT OBLIGATIONS IN ESCROW FUND

<u>Type</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
		\$	%

**SCHEDULE II**

**PAYMENT REQUIREMENTS OF THE REFUNDED OBLIGATIONS**

<b>Payment <u>Date</u></b>	<b><u>Interest</u></b>	<b>Principal <u>Prepaid</u></b>	<b><u>Total</u></b>
	\$	\$	\$

# EXHIBIT A

## NOTICE OF DEFEASANCE

### ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2014A MATURING ON FEBRUARY 1 IN THE YEARS 2024 THROUGH 2027, INCLUSIVE

<b>Maturity Date (February 1)</b>	<b>Principal Amount Outstanding</b>	<b>CUSIP Number (68428T)</b>
2024	\$ 9,085,000	BM8
2025	9,545,000	BN6
2026	10,025,000	BP1
2027	10,525,000	BQ9

NOTICE IS HEREBY GIVEN that on November \_\_, 2023, the Orange County Sanitation District (the "District") caused to be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of November 1, 2023, by and between the District and the Escrow Agent, proceeds of its Wastewater Refunding Revenue Obligations, Series 2023A, together with other available monies, which will be sufficient to pay principal and interest evidenced by the District's Wastewater Refunding Revenue Obligations, Series 2014A, maturing on February 1, 2024 through 2027, inclusive (the "Refunded Obligations") to and including the February 1, 2024 and to payment and prepay in full then outstanding Refunded Obligations on the February 1, 2024. The Escrow Agent is obligated to pay or cause to be paid to the Owners of the Refunded Obligations 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 Obligations are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of August 1, 2014, by and among U.S. Bank Trust Company, National Association, as successor Trustee, the Orange County Sanitation District Financing Corporation and the District, pursuant to which the Refunded Obligations were executed and delivered.

Dated: \_\_\_\_\_, 2023

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

## EXHIBIT B

### NOTICE OF PREPAYMENT

#### NOTICE OF OPTIONAL PREPAYMENT TO THE OWNERS OF ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2014A

<b>CUSIP Number*</b>	<b>Maturity Date (February 1)</b>	<b>Rate</b>	<b>Principal Amount Outstanding</b>
68428T BN6	2025	5.00%	\$ 9,545,000
68428T BP1	2026	5.00	10,025,000
68428T B19	2027	5.00	10,525,000

NOTICE IS HEREBY GIVEN that the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A, in the maturities and principal amounts specified above (the “Refunded Obligations”) are hereby subject to prepayment on February 1, 2024 (the “Prepayment Date”) at a price equal to the principal evidenced by the Refunded Obligations, plus accrued interest evidenced thereby to the Prepayment Date, without premium (the “Prepayment Price”). On the Prepayment Date there will become due and payable with respect to each of the Refunded Obligations the Prepayment Price thereof, and from and after such Prepayment Date, the interest evidenced thereby shall cease to accrue and be payable.

The Refunded Obligations shall be surrendered at the address of U.S. Bank Trust Company, National Association, as trustee for the Refunded Obligations (the “2014A Trustee”). Payment of the Prepayment Price on such Refunded Obligations called for prepayment will be paid only upon presentation and surrender thereof in the following manner:

If by Hand or Overnight Mail:  
**U.S. Bank Trust Company, National Association**  
**Global Corporate Trust**  
111 Fillmore Ave E.  
St. Paul, MN 55107  
1-800-934-6802

Refunded Obligation holders presenting their Refunded Obligations in person for same day payment must surrender their Refunded Obligation(s) by 1:00 p.m. on the Prepayment Date, and a check will be available for pick up after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed out to the Refunded Obligation holder via first class mail. If payment of the Prepayment Price is to be made to the registered owner of the Refunded Obligation, you are not required to endorse the Refunded Obligation to collect the Prepayment Price.

**IMPORTANT NOTICE:** Federal law requires the 2014A Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

*\* Neither the Orange County Sanitation District nor the 2014A Trustee shall be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness indicated in this Notice or as printed on any Refunded Obligation. They are included solely for the convenience of the Refunded Obligation holders.*

Dated: \_\_\_\_\_, 20\_\_

By: U.S. Bank Trust Company, National  
Association,  
as 2014A Trustee on behalf of the  
Orange County Sanitation District