
ESCROW AGREEMENT

by and between

SAN CARLOS SCHOOL DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Dated as of _____ 1, 2015

**San Carlos School District
[(San Mateo County, California)
2005 General Obligation Refunding Bonds]
[County of San Mateo, California)
General Obligation Bonds, Election of 2005, Series 2008]**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this “Escrow Agreement”), dated as of _____ 1, 2015, is by and between the SAN CARLOS SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the “District”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as escrow bank (the “Escrow Bank”) and as agent of the Prior Paying Agent (as defined herein).

W I T N E S S E T H:

[**WHEREAS**, the District has heretofore issued the San Carlos School District (San Mateo County, California) 2005 General Obligation Refunding Bonds (the “Series 2005 Bonds”) in the original principal amount of \$21,415,000; and

WHEREAS, the Series 2005 Bonds were issued pursuant to a Paying Agent Agreement, dated as of April 1, 2005 (the “Paying Agent Agreement”), by and between the District and the Treasurer-Tax Collector of the County of San Mateo (the “Prior Paying Agent”), as paying agent; and

WHEREAS, the District has determined that debt service savings can be achieved by refunding the Series 2005 Bonds maturing on October 1 of each of the years 20__ through 20__, inclusive (the “Prior Bonds”); and

WHEREAS, the Escrow Bank is acting as the agent of the Prior Paying Agent hereunder; and]

[**WHEREAS**, the County of San Mateo (the “County”) has heretofore issued, on behalf of the District, the San Carlos School District (County of San Mateo, California) General Obligation Bonds, Election of 2005, Series 2008 (the “Series 2008 Bonds”) in the original principal amount of \$5,181,332.45; and

WHEREAS, the Series 2008 Bonds were issued pursuant to a Resolution adopted by the Board of Supervisors of the County on May 20, 2008 (the “Resolution”); and

WHEREAS, the District has determined that debt service savings can be achieved by refunding the Series 2008 Bonds maturing on October 1 of each of the years 20__ through 20__, inclusive (the “Prior Bonds”); and

WHEREAS, the Escrow Bank is the paying agent (the “Prior Paying Agent”) under the Resolution; and]

WHEREAS, in order to provide the funds necessary to refund the Prior Bonds, the District has issued \$_____ aggregate principal amount of San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2015 (the “Refunding Bonds”); and

WHEREAS, the Refunding Bonds are issued pursuant to a resolution adopted by the Board of Education of the District on October 8, 2015 (the “District Resolution”); and

WHEREAS, the District has determined to apply a portion of the proceeds of the Refunding Bonds for the purpose of providing the funds necessary to pay, when due, the principal of and interest on the Prior Bonds to and including October 1, 20__ and to redeem the Prior Bonds on October 1, 20__ (the “Redemption Date”) at a redemption price (the “Redemption Price”) equal to [100]% of the principal amount of the Prior Bonds; and

WHEREAS, the Prior Bonds are subject to redemption on the Redemption Date and the District has determined to provide for the call for redemption on the Redemption Date of the Prior Bonds outstanding on the Redemption Date; and

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Bank agree as follows:

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the Resolution for the Prior Bonds.

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 Bank, which the Escrow Bank shall keep separate and apart from all other funds of the District and the Escrow Bank and which shall be applied solely as provided in this Escrow Agreement. The Escrow Fund is established for the purpose of refunding the Prior Bonds and, for purposes of Section 53555 of the California Government Code, shall be deemed to be a fund in the treasury of the District.

Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged and assigned solely to the payment of the interest on and principal and Redemption Price of the Prior Bonds, which amounts shall be held in trust by the Escrow Bank for the Owners of the Prior Bonds.

(b) Upon the issuance of the Refunding Bonds, there shall be deposited in the Escrow Fund \$_____ received from the proceeds of the sale of the Refunding Bonds.

(c) Upon the deposit of moneys pursuant to Section 2(b), the moneys on deposit in the Escrow Fund will be at least equal to an amount sufficient to purchase the aggregate principal amount of non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America (“Defeasance Securities”) set forth in Exhibit A hereto (the “Exhibit A Securities”), which principal, together with all interest due or to become due on such Exhibit A Securities, and any uninvested cash held by the Escrow Bank in the Escrow Fund, will be sufficient to make the payments required by Section 4 hereof.

Section 3. Use and Investment of Moneys. (a) The Escrow Bank hereby acknowledges deposit of the moneys described in Section 2(b) and agrees to invest \$_____ of such moneys in the Exhibit A Securities upon receipt of certification by a nationally recognized firm of independent certified public accountants that the Exhibit A Securities will mature in such principal amounts and earn interest in such amounts and, in each case, at such

times, so that sufficient moneys will be available from maturing principal and interest on the Exhibit A Securities, together with any uninvested moneys then held by the Escrow Bank in the Escrow Fund, to make all payments required by Section 4 hereof. Except as provided in Section 3(b) or Section 3(c), the balance of the moneys described in Section 2 shall be held uninvested in the Escrow Fund.

(b) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall purchase substitute Defeasance Securities for the Defeasance Securities then held in an Escrow Fund with the proceeds derived from the sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in such Escrow Fund and any uninvested money then held by the Escrow Bank hereunder in accordance with the provisions of this Section. Such sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in such Escrow Fund and substitution of other Defeasance Securities shall be effected by the Escrow Bank upon the written request of the District but only by a simultaneous transaction and only upon receipt of (i) certification by a nationally recognized firm of independent certified public accountants that the Defeasance Securities to be substituted, together with the Defeasance Securities which will continue to be held in such Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Defeasance Securities held in such Escrow Fund, together with any uninvested moneys, to make all payments required by Section 4 hereof, which have not previously been made, and (ii) receipt by the Escrow Bank of an opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that the sale, transfer, redemption or other disposition and substitution of Defeasance Securities will not adversely affect the exclusion of interest on the Prior Bonds or the Refunding Bonds from gross income for purposes of federal income taxation.

(c) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall apply any moneys received from the maturing principal of or interest or other investment income on any Defeasance Securities held in an Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Defeasance Securities pursuant to Section 3(b) not required for the purposes of said Section (i) to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Bank, such moneys shall be transferred to the Paying Agent for deposit in the Bond Fund established under the Paying Agent Agreement upon the written request of the District as received by the Escrow Bank, free and clear of any trust, lien, pledge or assignment securing the Prior Bonds or otherwise existing hereunder, and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be invested or reinvested in Defeasance Securities maturing at times and in amounts sufficient, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Bank, to make such payment required by Section 4 hereof. Prior to investing or reinvesting such moneys in Defeasance Securities pursuant to this subsection (c), the Escrow Bank shall receive an opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that the investment or reinvestment of such moneys will not adversely affect the exclusion of interest on the Prior Bonds or the Refunding Bonds from gross income for purposes of federal income taxation.

(d) All Defeasance Securities purchased pursuant to this Escrow Agreement shall be deposited in and held for the credit of the Escrow Fund. Except as provided in this Section 3, no moneys or Defeasance Securities deposited with the Escrow Bank pursuant to this Escrow Agreement nor principal of, or interest payments or other investment income on, any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Prior Bonds as provided by Section 4 hereof.

(e) The Owners of the Prior Bonds shall have a first and exclusive lien on the moneys and Defeasance Securities in the Escrow Fund until such moneys and Defeasance Securities are used and applied as provided in this Escrow Agreement.

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

Section 4. Payment of Prior Bonds. From the maturing principal of the Defeasance Securities held in the Escrow Fund and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund, the Escrow Bank shall:

(a) on each Interest Payment Date to and including the Redemption Date, pay interest on, and the principal of, the Prior Bonds then due and payable in accordance with the terms of the [Paying Agent Agreement][Resolution]; and

(b) on the Redemption Date, pay the Redemption Price in accordance with the terms of the [Paying Agent Agreement][Resolution].

To the extent that the amount on deposit in the Escrow Fund on October 1, 2016 is in excess of the amount necessary to make the required payments with respect to the Prior Bonds, as shown in the escrow verification of the nationally recognized firm of independent certified public accountants, such excess shall be transferred to the Paying Agent for deposit in the Bond Fund established under the [Paying Agent Agreement][Resolution].

Section 5. Irrevocable Instructions to Mail Notices. The District hereby irrevocably designates the Prior Bonds for prior redemption on the Redemption Date as indicated in Section 4 hereof and hereby irrevocably instructs the Escrow Bank, as the Prior Paying Agent, to give, in accordance with Section ____ of the [Paying Agent Agreement][Resolution], notice of redemption of the Prior Bonds.

Section 6. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Bank herein provided are in a form satisfactory to it.

Section 7. Escrow Bank's Authority to Make Investments. The Escrow Bank shall have no power or duty to invest any funds held under this Escrow Agreement except as provided in Section 3 hereof. The Escrow Bank shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Escrow Agreement.

Section 8. Compensation. The District shall from time to time pay or cause to be paid to the Escrow Bank the agreed upon compensation for its services to be rendered hereunder, and

reimburse the Escrow Bank for all of its reasonable advances, expenses and charges, including, without limitation, legal fees and expenses, in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Bank 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 Bank under this Escrow Agreement or otherwise.

Section 9. Indemnification. To the extent permitted by law, the District shall indemnify and save the Escrow Bank and its officers, directors, agents and employees harmless against any liabilities, losses, costs, expenses (including, without limitation, legal fees and expenses), suits, judgments and claims which it or they may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The indemnity contained in this Section shall survive the termination of this Escrow Agreement and the earlier removal or resignation of the Escrow Bank.

Section 10. Responsibilities of Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the redemption of the Prior Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Prior Bonds or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank 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 Bank shall be determined by the express provisions of this Escrow Agreement. The Escrow Bank 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 Bank 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.

No provision of this Escrow Agreement shall require the Escrow Bank to risk or advance its own funds. The Escrow Bank shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by

it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Bank may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank 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. If the District elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank'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 Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 11. Resignation and Removal. The Escrow Bank may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Bank. If the District does not appoint a successor Escrow Bank within thirty days of receipt of such notice, the resigning Escrow Bank may petition a court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Bank. Upon acceptance of appointment by a successor Escrow Bank, the resigning Escrow Bank shall transfer all moneys held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

The District may remove the Escrow Bank at any time by giving written notice of such removal to the Escrow Bank, and thereupon shall appoint a successor Escrow Bank by an instrument in writing. Upon acceptance of appointment by a successor Escrow Bank, the removed Escrow Bank shall transfer all moneys held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

Any successor Escrow Bank appointed under the provisions hereof shall be a trust company or bank having trust powers, having a corporate trust office in California, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any bank, corporation or association into which the Escrow Bank 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 Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper with any parties 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 or transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 12. Amendments. The District and the Escrow Bank may (but only with the consent of the Owners of all of the Prior Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement; provided, however, that such amendments and agreements are limited to (a) insertion of unintentionally omitted material, corrections of mistakes or clarifications of ambiguities, (b) pledging of additional legal security for the benefit of the Owners of the Prior Bonds, or (c) providing for the deposit of additional cash and/or securities in the Escrow Fund.

Section 13. Term. This Escrow Agreement shall terminate on the date upon which the Prior Bonds have been paid in accordance with this Escrow Agreement.

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 Bank 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.

SAN CARLOS SCHOOL DISTRICT

By: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., AS ESCROW
BANK AND PRIOR PAYING AGENT**

By: _____
Authorized Officer

EXHIBIT A
DEFEASANCE SECURITIES

Type	Maturity Date	Par Amount	Interest Rate	Cost
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