

ESCROW AGREEMENT FOR SECURITY DEPOSITS IN LIEU OF RETENTION

This Escrow Agreement is made and entered into on August 21, 2018 by and between the Lake County Sanitation District (LACOSAN), whose address is 230 N. Main Street, Lakeport, CA 95453, hereinafter referred to as "Owner", K.J. Woods Construction, Inc. whose address is 1485 Bayshore Blvd., #149, San Francisco, CA 94124 hereinafter referred to as "Contractor", and Boston Private Bank & Trust Company, whose address is 433 California Street, San Francisco, CA 94104 hereinafter referred to as "Escrow Agent".

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, Contractor has the option to deposit securities with Escrow Agent as a substitute for retention earnings required to be withheld by Owner Pursuant to the Construction Contract entered into between Owner and Contractor for **Project: Anderson Springs Sewer Project** in the amount of **\$6,948,000.00**, dated November 7, 2017 (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. 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 Contractor. Securities shall be held in the name of **Lake County Sanitation District**, and shall designate the Contractor as 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 hold securities in the form and amount specified above.
3. When the Owner makes payment of 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 contract is terminated. 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. Contractor shall be responsible for paying all fees for the expenses incurred by Escrow Agent in administering the Escrow Account and all expenses of the Owner. These expenses and payment terms shall be determined by the Owner, Contractor and 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 Contractor and shall be subject to withdrawal by Contractor at any time and from time to time without notice to Owner.
6. Contractor shall have the right to withdraw all or any part of the principal in the Escrow Account only by written notice to Escrow Agent accompanied by written authorization from the Owner to the Escrow Agent that Owner consents to the withdrawal of the amount sought to be withdrawn by Contractor.
7. The Owner shall have a right to draw upon the securities in the event of default by Contractor. Upon seven days written notice of the default to the Escrow Agent from the Owner, the Escrow Agent shall within two (2) business days 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, Escrow

Agent shall release to 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. Escrow Agent shall rely on the written notifications from Owner and the Contractor (together, the "Escrow Parties") pursuant to Sections (5) to (8), inclusive, of this Agreement and the Owner and Contractor shall hold Escrow Agent harmless from Escrow Agent's release and disbursement of the securities and interest as set forth above. Without limiting the foregoing, the Escrow Agent undertakes to perform only such duties as are expressly set forth herein. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. The Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Agreement. The Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to the Escrow Parties. Escrow Agent's sole responsibility shall be for the safekeeping and disbursement of the Escrow Funds in accordance with the terms of this Agreement. Escrow Agent may rely upon any notice, instruction, request or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall believe to be genuine and to have been signed or presented by the person or Escrow Parties purporting to sign the same. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, or this Agreement, or to appear in, prosecute or defend any such legal action or proceeding. Escrow Agent shall not be responsible or liable in any manner for the performance by any Escrow Party of their respective obligations under the Agreement nor shall Escrow Agent be responsible or liable in any manner for the failure of any Escrow Party to honor any of the provisions of this Agreement. Escrow Agent may consult legal counsel selected by it in the event of any dispute or question as to the construction of any of the provisions hereof or of its duties hereunder, or relating to any dispute involving any Escrow Party hereto, The Escrow Parties shall promptly pay, upon demand, equal portions of the reasonable fees and expenses of any such counsel.

10. Resignation of Escrow Agent. Escrow Agent may resign and be discharged from the performance of its duties hereunder at any time by giving thirty (30) days prior written notice to the Escrow Parties specifying a date when such resignation shall take effect. Upon any such notice of resignation, the Escrow Parties jointly shall appoint a successor Escrow Agent hereunder prior to the effective date of such resignation. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall pay all Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance of its duties and the exercise of its rights hereunder. After any retiring Escrow Agent's resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement. Any corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow

business of the Escrow Agent's business may be transferred, shall be the Escrow Agent under this without further act.

11. **Legal Process.** The Escrow Agent is authorized, in its sole discretion, to comply with orders issued or process entered by any court with respect to the escrow funds, without determination by the Escrow Agent of such court's jurisdiction in the matter. If any portion of the escrow funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, the Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel selected by it is binding upon it without the need for appeal or other action; and if the Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the Escrow Parties hereto or to any other person or entity by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

12. **Indemnification of Escrow Agent.** From and at all times after the date of this Agreement, the Escrow Parties shall, in connection with their own actions and omissions and to the fullest extent permitted by law, defend, indemnify and hold harmless Escrow Agent and each director, officer, employee, attorney, agent and affiliate of Escrow Agent (collectively, the "Indemnified Escrow Parties") against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorneys' fees, costs and expenses) incurred by or asserted against any of the Indemnified Escrow Parties from and after the date hereof, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, including without limitation the Escrow Parties, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transactions contemplated herein, whether or not any such Indemnified Escrow Party is party to any such action, proceeding, suit or the target of any such inquiry or investigation; *provided, however,* that no Indemnified Escrow Party shall have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted primarily from the gross negligence or willful misconduct of such Indemnified Escrow Party. Each Indemnified Escrow Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel shall be paid upon demand by the Escrow Parties jointly and severally. The obligations of the Escrow Parties under this Section 12 shall survive any termination of this Agreement and the resignation or removal of Escrow Agent.

13. **Security and Offset.** The Escrow Parties hereby grant to Escrow Agent and the Indemnified Escrow Parties a security interest in and lien upon the Escrow Funds to secure all obligations hereunder, and Escrow Agent and the Indemnified Escrow Parties shall have the right to offset the amount of any compensation or reimbursement due any of them hereunder (including any claim for indemnification pursuant to Paragraph 12 hereof) against the escrow funds. If for any reason the escrow funds available to Escrow Agent and the Indemnified Escrow Parties pursuant to such security interest or right of offset are insufficient to cover such compensation and reimbursement, the Escrow Parties shall promptly pay such amounts to

Escrow Agent and the Indemnified Escrow Parties upon receipt of an itemized invoice. Notwithstanding the foregoing lien and offset rights, the Escrow Agent shall continue to make disbursements from the escrow funds in accordance with the provisions of this Agreement and, if within seven (7) days of Escrow Party's receipt of notice from the Escrow Agent that it intends to make a disbursement to itself or to an Indemnified Escrow Party, such Escrow Party gives the Escrow Agent notice that asserts that it is in good faith contesting the right of the Escrow Agent or the Indemnified Escrow Party to such payment (taking into account the Escrow Agent's and Indemnified Parties' rights of indemnity pursuant to Section 12), then in such event the Escrow Agent shall not exercise such lien rights or rights of offset with respect to any claim for indemnification pursuant to Section 12 hereof until the rendering of a resolution or entry of an arbitration award or judicial order authorizing the disbursement of any such funds to the Escrow Agent with respect to any claim for indemnification pursuant to Section 12 hereof.

14. 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 as follows:

On behalf of Owner:
Lake County Sanitation District

Name

Title

Signature

Address:
230 N. Main Street
Lakeport, CA 95453

Telephone: 707-263-0119

On behalf of Contractor:
K.J. Woods Construction, Inc.

Kieran Woods
Name

President
Title

[Signature]
Signature

Address:
1485 Bayshore Blvd., #149
San Francisco, CA 94124

Telephone: 415-759-0506

On behalf of Escrow Agent:
Boston Private Bank & Trust Company
Torrance Childs
President, Private Banking

[Signature]
Signature

Address:
10 Post Office Square
Boston, MA 02109

Copies of all correspondence to:

Boston Private Bank & Trust Company
Attn: Michael Abendroth
433 California Street
San Francisco, CA 94104
mabendroth@bostonprivate.com
Telephone: 415-402-5909

and

Boston Private Bank & Trust Company
Attn: Esther Kamp
801 South Figueroa Street
Los Angeles, CA 90017
ekamp@bostonprivate.com
Telephone: 213-784-8274

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

15. Counterparts. This Agreement may be executed in any number of counterparts and by each Escrow Party and Escrow Agent on separate counterparts, each counterpart shall be deemed an original but all such counterparts shall together constitute but one and the same Agreement. The Escrow Parties and Escrow Agent hereby may execute and deliver this Agreement by forwarding (by facsimile, electronic transmission of a scanned, not digital, signature, in PDF format or other means) copies thereof showing execution by the Escrow Parties and Escrow Agent sending the same, and Escrow Parties and Escrow Agent agree and intend that such signature shall have the same effect as an original signature, and that the Escrow Parties and Escrow Agent shall be bound by such means of execution and delivery, and that the Escrow Parties and Escrow Agent hereby waive any defense to validity based on any such copies or signatures.
16. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Exclusive venue for any action under this Agreement is agreed to be in the state or federal courts in San Francisco, California, and each party waives any defenses to such jurisdiction, including but not limited to lack of personal jurisdiction.
17. Miscellaneous. Each of the persons executing this Agreement, respectively, on behalf of the Owner, the Contractor, and the Escrow Agent hereby represents and warrants that he or she has the right, power and authority to execute and deliver this Agreement on behalf of such entity. In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect. The captions in this Agreement are for the convenience of reference only and

shall not be deemed to alter any provision of this Agreement. This Agreement cannot be altered or modified except by a written instrument signed by all of the Escrow Parties and Escrow Agent. The terms of this Agreement shall be binding upon the Escrow Parties and Escrow Agent hereto and their respective successors and assigns. Any Escrow Party and the Escrow Agent may assign this Agreement and any or all of its rights and obligations hereunder with the consent of the other Escrow Party and the Escrow Agent, which consent should not be unreasonably withheld or delayed, to any person, firm, corporation or other entity, and any such assignee shall be entitled to all the rights and powers of such participation hereunder but shall not be relieved of its obligations hereunder by such assignment unless expressly consented to by the Escrow Parties and the Escrow Agent. Nothing in this Agreement shall be construed to benefit any person or entity not party hereto.

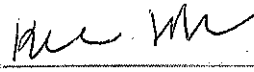
IN WITNESS WHEREOF, the parties have executed this Agreement by their proper officers on the date first set forth above.

OWNER:

By: _____

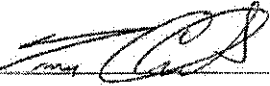
Its: _____

CONTRACTOR:

By: 

Its: President Kieram Woods

ESCROW AGENT:

By: 

Its: President, Private Banking