

**ESCROW AGREEMENT FOR SECURITY  
DISPOSITION IN LIEU OF RETENTION  
(Option B)**

This Escrow Agreement is made and entered into by and between the Department of Water Resources of the State of California ("DEPARTMENT" herein), \_\_\_\_\_ ("CONTRACTOR" herein), and \_\_\_\_\_ ("ESCROW AGENT" herein).

For the consideration hereinafter set forth, DEPARTMENT, CONTRACTOR, and ESCROW AGENT agree as follows:

- (1) Pursuant to Section 10263 of the Public Contract Code of the State of California, on written request of CONTRACTOR, DEPARTMENT shall make payments of retention earnings directly to ESCROW AGENT as a substitute for retention earnings required to be withheld by DEPARTMENT pursuant to Contract No. \_\_\_\_\_ between DEPARTMENT and CONTRACTOR dated \_\_\_\_\_ (hereinafter referred to as the "Contract").
- (2) When DEPARTMENT makes payment of retentions earned directly to ESCROW AGENT, ESCROW AGENT shall hold them for the benefit of CONTRACTOR until such time as the escrow created under this agreement is terminated.
- (3) CONTRACTOR may direct the investment of the payments into securities. All terms and conditions of this agreement and the rights and responsibilities of the parties shall be equally applicable and binding when the Department 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. These expenses and payment terms shall be determined by CONTRACTOR and ESCROW AGENT.
- (5) The interest earned on the securities or the money market accounts held in escrow and all interest earned on the 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 DEPARTMENT.
- (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authorization from DEPARTMENT to ESCROW AGENT that DEPARTMENT consents to the withdrawal of the amount sought to be withdrawn by CONTRACTOR.
- (7) DEPARTMENT shall have a right to draw upon the securities in the event of default by CONTRACTOR. Upon seven days' written notice to ESCROW AGENT from DEPARTMENT of the default, ESCROW AGENT shall immediately convert the securities to cash and shall distribute the cash as instructed by DEPARTMENT.
- (8) Upon receipt of written notification from DEPARTMENT certifying that the contract is final and complete, and that CONTRACTOR has complied with all requirements and procedures applicable to the contract, ESCROW AGENT shall release to the 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 DEPARTMENT and CONTRACTOR pursuant to Sections (1) to (8), inclusive, of this agreement and DEPARTMENT and CONTRACTOR shall hold ESCROW AGENT harmless from ESCROW AGENT'S release, conversion and disbursement of the securities and interest as set forth above.

\_\_\_\_\_

*\* Eligible securities are limited to those as set forth in Section 10263 of the Public Contract Code and Section 16430 of Government Code.*

(10) The names of the persons who are authorized to give written notice or to receive written notice on behalf of DEPARTMENT, on behalf of CONTRACTOR, and on behalf of ESCROW AGENT in connection with the foregoing, and exemplars of their respective signatures are as follows:

**On behalf of DEPARTMENT:**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
ADDRESS

**On behalf of CONTRACTOR:**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
ADDRESS

**On behalf of ESCROW AGENT:**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
ADDRESS

At the time the escrow account is opened, DEPARTMENT and CONTRACTOR shall deliver to ESCROW AGENT a fully executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by their proper officers.

DATED \_\_\_\_\_

**DEPARTMENT**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

**CONTRACTOR**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

**ESCROW AGENT**

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE