

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of _____ 1, 2010 (the "*Agreement*", made by and between Colorado River Municipal Water District, a political subdivision of the State of Texas (the "*District*") and The Bank of New York Mellon Trust Company, National Association (the "*Bank*"), as Escrow Agent (the "*Escrow Agent*") together with any successor in such capacity;

W I T N E S S E T H:

WHEREAS, pursuant to a resolution finally adopted on April 28, 2010, the Board of Directors of the District authorized the execution of a Master Agreement (the "*Master Agreement*") with the Texas Water Development Board (the "*TWDB*") with respect to the agreement of the TWDB to provide funds to acquire an undivided interest of up to 80% of certain water system improvements (the "*Project*"), in an amount not to exceed \$45,315,000 (the "*Funds*") and to sell the Project to the District as provided therein; and

WHEREAS, the Escrow Agent is a national bank located in the State of Texas, an insured depository institution with the Federal Deposit Insurance Corporation, ("*FDIC*"), and is otherwise qualified and empowered to enter into this Escrow Agreement, and hereby acknowledges its acceptance of the terms and provisions hereof; and

WHEREAS, a condition to the providing of funds by the TWDB is the deposit of such funds (less amounts to pay costs of issuance) in escrow subject to being withdrawn only with the approval of the Executive Administrator of the TWDB or an authorized representative in accordance with the Master Agreement; provided, however, the funds can be transferred to different investments so long as all parties hereto consent to such transfer;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and in consideration of the amount to be paid by the District to the Escrow Agent, as set forth on Exhibit A, the receipt of which is hereby acknowledged, and in order to secure the delivery of the Funds, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives and successors, as follows:

SECTION 1: Upon the delivery of the Funds described above, the Funds (less amounts to pay costs of issuance) shall be deposited to the credit of a special escrow account maintained at the Bank on behalf of the District and the TWDB and shall not be commingled with other accounts or funds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the District, and the Escrow Agent shall have no right to title with respect thereto except as a fiduciary and Escrow Agent under the terms of this Agreement.

These escrowed funds shall be kept in a separate account entitled "Colorado River Municipal Water District Water System State Participation Escrow Account" and shall not be subject to warrants, drafts or checks drawn by the District but shall be disbursed or withdrawn to pay the costs of the Project (the "*Project Costs*") in accordance with the Master Agreement and solely upon written authorization from the Executive Administrator, or his authorized representative.

SECTION 2: All cash deposited to the credit of such escrow account and any accrued interest in excess of the amounts insured by the FDIC and remaining uninvested under the terms of this Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, TEX. GOV'T CODE ANN., as amended.

SECTION 3: While the Funds are held in escrow, the Bank shall only invest escrowed Funds in investments that are authorized by the Public Funds Investment Act, Chapter 2256, TEX. GOV'T CODE ANN., as amended. It is the District's responsibility to direct the Escrow Agent to invest all public funds in a manner that is consistent not only with the Public Funds Investment Act but also with its own written investment policy.

SECTION 4: The Bank shall not honor any disbursement from the escrow fund, or any portion thereof, unless and until it has been supplied with written approval and consent by the Executive Administrator of the TWDB or an authorized TWDB representative. However, no written approval and consent by the Executive Administrator shall be required if the disbursement involves transferring funds from one investment to another provided that all such investments are consistent with the requirements of the Public Funds Investment Act.

SECTION 5: Any sums remaining unexpended in the escrow account after completion of the Project and after the final accounting has been submitted to and approved by the TWDB shall be disposed of pursuant to the provisions of the Master Agreement.

SECTION 6: The Bank shall be authorized to accept and rely upon the certifications and documents furnished to the Bank by the District and shall not be liable for the payment of any funds made in reliance in good faith upon such certifications or other documents or approvals, as herein recited.

SECTION 7: LIABILITY. To the extent permitted by law, the Escrow Agent shall not be liable for any act done or step taken or omitted by it or any mistake of fact or law, except for its negligence or default or failure in the performance of any obligation imposed upon it hereunder. The Escrow Agent shall not be responsible in any manner for any proceedings in connection with the Master Agreement or any recitation contained in the Master Agreement.

SECTION 8: RECORDS. The Escrow Agent will keep complete and correct books of record and account relating to the receipts, disbursements, allocations and application of the money deposited to the Escrow Fund, and investments of the Escrow Fund and all proceeds thereof. The records shall be available for inspection at reasonable hours and under reasonable conditions by the District and the TWDB.

SECTION 9: MERGER/CONSOLIDATION. In the event that the Escrow Agent merges or consolidates with another bank or sells or transfers substantially all of its assets or corporate trust business, then the successor bank shall be the successor Escrow Agent without the necessity of further action as long as the successor bank is a state or national bank as well as an FDIC-insured depository institution. If the merger, consolidation or other transfer has occurred between state banks, the newly-created entity shall forward the certificate of merger or exchange issued by the

Texas Department of Banking as well as the statement filed with the pertinent chartering authority, if applicable, to the TWDB within a reasonable time of such merger, consolidation or exchange.

SECTION 10: AMENDMENT. This Agreement may be amended from time to time as necessary with the consent of the District and the TWDB, but no such amendments shall increase the liabilities or responsibilities or diminish the rights of the Bank without its consent.

SECTION 11: TERMINATION. In the event that this Agreement is terminated by either the District or by the Bank, the Escrow Agent must report said termination in writing to the TWDB within 5 business days of such termination. The District is responsible for ensuring that the following criteria are satisfied in selecting the successor escrow agent and notifying the TWDB of the change in escrow agents: (a) the successor escrow agent must be an FDIC-insured state or national bank designated by the Texas Comptroller as a state depository; (b) the successor escrow agent must be retained prior to or at the time of the termination; (c) an escrow agreement must be executed by and between the District and the successor escrow agent and must contain the same or substantially similar terms and conditions as are present in this escrow agreement; and (d) the District must forward a copy of the executed escrow agreement with the successor escrow agent within 5 business days of said termination. No funds shall be released by the TWDB until it has received, reviewed and approved the escrow agreement with the successor escrow agent.

SECTION 12: POINT OF CONTACT. The points of contact for the Escrow Agent and the Board are as follows:

The Bank of New York Mellon Trust Company,
National Association, Escrow Agent
2001 Bryan Street, 11th Floor
Dallas, Texas 75201

J. Kevin Ward, Executive Administrator
Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701

SECTION 13: EXPIRATION. This Agreement shall expire upon final transfer of the funds in the Escrow Account to the District.

SECTION 14: ASSIGNABILITY. This Agreement shall not be assignable by the parties hereto, in whole or in part, and any attempted assignment shall be void and of no force and effect.

SECTION 15: CHOICE OF LAW. This Agreement shall be governed exclusively by the applicable laws of the State of Texas. Should a controversy arise, either party hereto may introduce the dispute into the Travis County District Court for adjudication thereof.

SECTION 16: This Escrow Agreement evidences the entire agreement between the Escrow Agent and the District and supercedes any other agreements, whether oral or written, between the parties regarding the Funds or this escrow account. No modification or amendment of this Escrow Agreement shall be valid unless the same is in writing and is signed by the District and consented to by the Escrow Agent and the TWDB.

SECTION 17: If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COLORADO RIVER MUNICIPAL WATER DISTRICT

By: _____
President, Board of Directors

(SEAL)

Address: 400 East 24th Street, Big Spring, Texas 79720

ATTEST:

By: _____
Secretary, Board of Directors

THE BANK OF NEW YORK MELLON TRUST COMPANY,
NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Title: _____

Address: 2001 Bryan Street, 11th Floor, Dallas, Texas 75201

(BANK SEAL)