

ESCROW AGREEMENT

by and among

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

and

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

Dated ____ 1, 2014

relating to:

**Harbor Department of the City of Los Angeles
Revenue Bonds
2006 Series D (AMT)**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated ___ 1, 2014 (this “Escrow Agreement”), is made by and among the HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, a Department of the City of Los Angeles (the “Department”), U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the hereinafter defined 2006D Indenture (the “Trustee”) and as escrow agent hereunder (the “Escrow Agent”).

WITNESSETH:

WHEREAS, pursuant to that certain Indenture of Trust, dated as of August 1, 2006, by and between the Department and U.S. Bank National Association (the “2006D Indenture”), the Department has previously issued \$111,300,000 original principal amount of its “Harbor Department of the City of Los Angeles Revenue Bonds, 2006 Series D (AMT)” (the “Series 2006D Bonds”); and

WHEREAS, the Department is, simultaneously with the execution of this Escrow Agreement, issuing \$___ aggregate principal amount of its Harbor Department of the City of Los Angeles Revenue Bonds and Refunding Revenue Bonds, 2014 Series A (AMT) and 2014 Series B (Non-AMT) (collectively, the “Series 2014 Bonds”), under the terms of that certain Indenture of Trust, dated as of ___ 1, 2014 (the “2014 Indenture”), by and between the Department and the Trustee; and

WHEREAS, the Series 2014 Bonds are being issued to, among other things, current refund all or a portion of the outstanding Series 2006D Bonds (the portions of the Series 2006D Bonds refunded, the “Refunded Bonds”);

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Appointment of Escrow Agent. The Department hereby appoints U.S. Bank National Association to serve as escrow agent hereunder with such duties and responsibilities as are set forth herein.

Section 2. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the “Escrow Fund” to be held in the custody of the Escrow Agent in trust under this Escrow Agreement for the benefit of the owners of the Refunded Bonds. Except as otherwise provided in Section 7 hereof, the Department shall have no interest in the funds or investments held in the Escrow Fund.

Section 4. Deposit to the Escrow Fund.

(a) Concurrently with the execution and delivery of this Escrow Agreement, the Department hereby directs the Escrow Agent, in its capacity as trustee under the 2006D Indenture, and the Escrow Agent shall, deposit the sum of \$___ (the “Escrow Deposit”), which is derived from:

- (1) [\$_____ from amounts transferred by the Department to the Trustee pursuant to the Deposit Letter Agreement;]
- (2) \$_____ of the proceeds of the 2014 Series A Bonds; and
- (3) [\$_____ from the Reserve Fund established under the 2006D Indenture.]

(b) The Escrow Agent hereby acknowledges receipt of the Escrow Deposit, as described in paragraph (a) above, and that such amounts were deposited in the Escrow Fund.

Section 5. Investment of Escrow Fund. The Escrow Agent shall hold the Escrow Deposit uninvested and in cash and disburse such amounts as provided herein.

Section 6. Creation of Lien on Escrow Fund. The Escrow Deposit shall constitute an irrevocable deposit in trust for the benefit of the holders of the Refunded Bonds. The holders of the Refunded Bonds are hereby granted an express lien on the Escrow Fund and all moneys and investments from time to time held therein for the payment of amounts described in Section 7 below.

Section 7. Use of Escrow Fund. On [August 1, 2014], the Escrow Agent shall withdraw from the Escrow Fund the amount necessary to pay all of the principal of and accrued and unpaid interest on, and to redeem, all of the Refunded Bonds, pursuant to the 2006D Indenture.

The Escrow Agent shall retain all unclaimed moneys uninvested and in cash. At such time as the Department delivers to the Escrow Agent written notice that no additional amounts from the Escrow Fund will be needed to redeem the Refunded Bonds, or on [August 1, 2014], whichever occurs first, the Escrow Agent shall transfer all amounts then remaining in the Escrow Fund for deposit in the applicable account of the Interest Fund established under the 2014 Indenture to be used to pay interest on the Series 2014 Bonds. At such time as no amounts remain in the Escrow Fund, such fund shall be closed.

Section 8. Notice of Redemption. The Escrow Agent and the Department hereby acknowledge that the notices of redemption of the Refunded Bonds to the owners of the Refunded Bonds and other parties were delivered on [July 1, 2014] in the manner and as required pursuant to the 2006D Indenture.

Section 9. Liability of Escrow Agent.

(a) The Escrow Agent shall not under any circumstances be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Escrow Agent shall have no lien whatsoever on the Escrow Fund or the Escrow Deposit.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund to pay the principal of and the accrued and unpaid interest on the Refunded Bonds.

(c) No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds.

(d) The Escrow Agent may consult with bond counsel to the Department or with such other counsel of its own choice subject to reasonable approval by the Department (which may but need not be counsel to the Department) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(e) Whenever in the administration of this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or not taking any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an Authorized Representative of the Department, and such certificate shall, in the absence of negligence or misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or not taken by it under the provisions of this Escrow Agreement in reliance thereon. The Escrow Agent hereby represents that, as of the date hereof, it does not need any further certificate or direction from any other party in order to carry out the terms of this Escrow Agreement.

(f) The Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified as set forth in Section 13 herein, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(g) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages.

(h) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein.

(i) The Escrow Agent's rights to indemnification hereunder shall survive its resignation or removal and the termination of the Agreement.

Section 10. Successor Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Agent shall be a party or any company succeeding to the corporate trust business of the Escrow Agent, shall be the successor Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding. The Escrow Agent shall give written notice to the Department upon or prior to the occurrence of such an event.

Section 11. Termination. This Escrow Agreement shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made. The Department hereby directs the Escrow Agent to, and the Escrow Agent shall, distribute any moneys remaining in the Escrow Fund at the time of such termination to the applicable accounts in the Interest Fund established under the 2014 Indenture.

Section 12. Tax-Exempt Nature of Interest on the Refunded Bonds. The Department covenants and agrees for the benefit of the holders of the Refunded Bonds that it will not direct or permit any thing or act to be done in such manner as would cause interest on the Refunded Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Code, nor will it use any of the proceeds received from the sale of the Series 2014 Bonds, directly or indirectly, in any manner which would result in the Series 2014 Bonds being classified as “arbitrage bonds” within the meaning of the Code.

Section 13. Compensation and Indemnity of Escrow Agent. For acting under this Escrow Agreement, the Escrow Agent shall be entitled to payment of fees for its services as agreed between the Escrow Agent and the Department, including, without limitation, reasonable compensation for all services rendered in the execution, exercise and performance of any of the duties of the Escrow Agent to be exercised or performed pursuant to the provisions of this Escrow Agreement, and all reasonable expenses, disbursements and advances incurred in accordance with any provisions of this Escrow Agreement (including the reasonable compensation and expenses and disbursements of independent counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder and out-of-pocket expenses including, but not limited to, postage, insurance, wires, stationery, costs of printing forms and letters and publication of notices of redemption); however, such amount shall never be payable from or become a lien upon the Escrow Fund, which funds shall be held solely for the purposes and subject to the liens set forth in Section 6 of this Escrow Agreement. To the extent permitted by law, the Department agrees to indemnify and hold the Escrow Agent harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all costs, expenses (including reasonable attorneys’ fees of counsel reasonably acceptable to the Department), losses and damages suffered by it as a result thereof, including the costs and expenses of defending against any such claims, suits or actions, where and to the extent such claim, suit or action arises out of the performance by the Escrow Agent of its duties under this Escrow Agreement; provided, however, that such indemnification shall not extend to claims, suits and actions brought against the Escrow Agent which result in a judgment being entered, settlement being reached or other disposition made based upon the Escrow Agent’s negligence or willful misconduct. The indemnification provided for in this Escrow Agreement shall never be payable from or become a lien upon the Escrow Fund, which Escrow Fund shall be held solely for the purpose and subject to the lien set forth in Sections 6, respectively, of this Escrow Agreement. The obligations of the Department under this Section 13 shall remain in effect and continue notwithstanding the termination of this Escrow Agreement and the resignation or the removal of the Escrow Agent.

Section 14. Third-Party Beneficiaries and Amendments. The owners of the Refunded Bonds are hereby recognized as third-party beneficiaries of this Escrow Agreement to the extent of their interests in the Escrow Fund as set forth in Sections 6 and 7 hereof.

Section 15. Replacement and Resignation of Escrow Agent. The Department may remove the Escrow Agent by notice in writing delivered to the Escrow Agent ten (10) days prior to the proposed removal date. The Escrow Agent may resign by notifying the Department in writing at least ten (10) days prior to the proposed effective date of the resignation. No removal or resignation of the Escrow Agent under this Section shall be effective until a new Escrow Agent, approved by the Department, has taken office and delivered a written acceptance of its appointment to the retiring Escrow Agent and to the Department. Immediately thereafter, the retiring Escrow Agent shall transfer all property held by it as Escrow Agent to the successor Escrow Agent, the removal or resignation of the Escrow Agent shall then, but only then, become effective and the successor Escrow Agent shall have all the rights, powers and duties of the Escrow Agent under this Escrow Agreement. If the Escrow Agent is removed or resigns or for any reason is unable or unwilling to perform its duties under this Escrow Agreement, the Department shall promptly appoint a successor Escrow Agent. If a successor Escrow Agent has not been appointed and has not accepted such appointment by the end of the 10-day period, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent.

Section 16. Severability. If any one or more of the provisions of this Escrow Agreement should be determined by a court of competent jurisdiction to be contrary to law, such provision shall be deemed and construed to be severable from the remaining provisions herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 17. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Department, the Trustee or the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 18. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

Section 19. Headings. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

Section 20. Amendments. The Department, the Trustee and the Escrow Agent shall not modify this Escrow Agreement in any manner that is materially adverse to the rights of the owners of the Refunded Bonds without the consent of all of the owners of the Refunded Bonds affected by such modification which have not been paid in full.

Section 21. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

**HARBOR DEPARTMENT OF THE
CITY OF LOS ANGELES**

By: _____
Name: Karl K.Y. Pan
Title: Chief Financial Officer

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

By: _____
Authorized Officer

Approved as to Form:

_____, 2014

MICHAEL N. FEUER, City Attorney
JANNA B. SIDLEY, General Counsel

By: _____
Heather M. McCloskey, Deputy