
ESCROW AGREEMENT

by and between

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY**

and

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

Dated as of _____ 1, 2011

**Los Angeles County Sanitation Districts Financing Authority
Capital Projects Revenue Bonds
2003 Series A (Senior Ad Valorem Obligation Bonds)**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this “Escrow Agreement”), dated as of _____, 2011, is by and between the LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), 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 Prior Trustee (as defined herein) and as escrow bank (the “Escrow Bank”).

W I T N E S S E T H:

WHEREAS, the Authority previously issued its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2003 Series A (Senior Ad Valorem Obligation Bonds) (the “Prior Bonds”);

WHEREAS, the Prior Bonds were issued under the Indenture, dated as of June 1, 2003 (the “Prior Indenture”), by and between the Authority and BNY Western Trust Company, as trustee;

WHEREAS, The Bank of New York Mellon Trust Company, N.A. is the successor trustee (the “Prior Trustee”) under the Prior Indenture;

WHEREAS, the Authority has determined that a savings will be realized by redeeming the Prior Bonds maturing on October 1, 20__, 20__, 20__, 20__ and 20__ (the “Refunded Bonds”) outstanding on October 1, 2013 (the “Redemption Date”) at a redemption price equal to 100% of the principal amount of the Refunded Bonds (the “Redemption Price”), plus accrued interest thereon to the Redemption Date;

WHEREAS, in order to provide the funds necessary to redeem the Refunded Bonds, the Authority has issued \$_____ aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2011 Series A (Senior Ad Valorem Obligation Bonds) (the “Bonds”), pursuant to the Indenture, dated as of _____ 1, 2011 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

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

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

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Indenture.

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 Authority and the Escrow Bank and to be applied solely as provided in this Escrow Agreement.

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

(b) As reflected in the report of the nationally recognized firm of independent certified public accountants delivered in connection herewith, upon the issuance of the Bonds, there shall be deposited in the Escrow Fund \$_____ received from the proceeds of the sale of the Bonds [and \$_____ from the Reserve Fund established under the Prior Indenture, for a total of \$_____].

(c) Upon the deposit of moneys pursuant to Section 2(b) hereof, the moneys on deposit in the Escrow Fund will be at least equal to an amount sufficient to purchase the aggregate principal amount of 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) hereof 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) hereof, the balance of the moneys described in Section 2 hereof shall be held uninvested in the Escrow Fund.

(b) Upon the Written Request of the Authority, 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 the Escrow Fund with the proceeds derived from the sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in the 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 the Escrow Fund and substitution of other Defeasance Securities shall be effected by the Escrow Bank upon the Written Request of the Authority 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 the 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 the 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 any Refunded Bonds or by any Bonds from gross income for purposes of federal income taxation.

(c) Upon the Written Request of the Authority, but subject to the conditions and limitations herein set forth, the Escrow Bank will apply any moneys received from the maturing principal of or interest or other investment income on any Defeasance Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Defeasance Securities pursuant to Section 3(b) hereof 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, upon the Written Request of the Authority, be transferred to the Trustee for deposit in the Interest Fund established under the Indenture as received by the Escrow Bank, free and clear of any trust, lien, pledge or assignment securing the Refunded 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.

(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, 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 Refunded Bonds as provided in Section 4 hereof.

(e) The Owners of the Refunded 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 Refunded 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 apply such amounts as follows:

(a) on each Interest Payment Date to and including the Redemption Date, the Escrow Bank, as the Prior Trustee, shall pay interest on the Refunded Bonds in accordance with the terms of the Prior Indenture;

(b) on the Redemption Date, the Escrow Bank, as the Prior Trustee, shall pay the Redemption Price of the Refunded Bonds in accordance with the terms of the Prior Indenture.

To the extent that the amount on deposit in the Escrow Fund on the Redemption Date is in excess of the amount necessary to make the required payments with respect to the Refunded Bonds, as shown in the then applicable escrow verification of the nationally recognized firm of independent certified public accountants, such excess shall be transferred to the Trustee for deposit in the Interest Account established under the Indenture.

Section 5. Irrevocable Instructions to Mail Notice. The Authority hereby designates the Refunded Bonds for prior redemption on the Redemption Date as indicated in Section 4 hereof and hereby irrevocably instructs the Escrow Bank, as the Prior Trustee, to mail, on a date in accordance with the provisions of Section 3.02 of the Prior Indenture, notice of redemption of the Refunded Bonds on the Redemption Date, said notice to be given in accordance with Section 3.02 of the Prior Indenture. The Authority hereby irrevocably instructs the Escrow Bank, as the Prior Trustee, to mail as soon as practicable, the notice to the Owners of the Refunded Bonds provided for in clause (iii) of subsection (b) of Section 10.01 of the Prior Indenture

Section 6. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions. The Escrow Bank agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Bank, as the Prior Trustee, 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. Indemnity. To the extent permitted by law, the Authority hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant thereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the material breach by the Escrow Bank of the terms of this Escrow Agreement. The indemnities contained in this Section shall survive the termination of this Escrow Agreement and the resignation or removal of the Escrow Bank.

Section 9. Responsibilities of Escrow Bank. 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 Refunded Bonds pursuant to the Prior Indenture or to the validity of this Escrow Agreement as to the Authority 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 Authority but who shall not be in-house counsel to the Escrow Bank, 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 Authority. Whenever the Escrow Bank shall deem it necessary or desirable that a matter 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 be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by a certificate signed by a nationally recognized firm of certified public accountants or such opinion of counsel of recognized standing in the field of law relating to municipal bonds.

The Escrow Bank undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Bank.

Section 10. Resignation and Removal. The Escrow Bank may resign by giving written notice to the Authority, and upon receipt of such notice the Authority shall promptly appoint a successor Escrow Bank. If the Authority 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 securities and moneys held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

The Authority 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 securities and 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.

Section 11. Amendments. The Authority and the Escrow Bank may (but only with the consent of the Owners of all of the Refunded Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

Section 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement.

Section 13. Compensation. The Authority 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 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 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Authority 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.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date first above written.

**LOS ANGELES COUNTY
SANITATION DISTRICTS
FINANCING AUTHORITY**

By: _____

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

By: _____
Authorized Officer

EXHIBIT A

UNITED STATES TREASURY SECURITIES

Type	Maturity Date	Par Amount	Interest Rate	Price
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