

ESCROW AGREEMENT

by and between

HERMOSA BEACH CITY SCHOOL DISTRICT

and

U. S. BANK NATIONAL ASSOCIATION,

As Escrow Agent

Relating to the Legal Defeasance of a Portion of the
Hermosa Beach City School District
2003 General Obligation Bonds,
Election of 2002, Series A

Dated as of February 23, 2006

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ESCROW AGREEMENT

This **ESCROW AGREEMENT** ("Escrow Agreement") is dated and entered into as of February 23, 2006, by and between the **HERMOSA BEACH CITY SCHOOL DISTRICT**, a school district, duly organized and existing under and by virtue of the Constitution and the laws of the State of California ("District"), and **U. S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as escrow bank ("Escrow Bank").

WITNESSETH:

WHEREAS, the District, through the County of Los Angeles ("County"), has previously provided for the issuance of the Hermosa Beach City School District 2003 General Obligation Bonds (Los Angeles County, California) Election of 2002, Series A, in the aggregate principal amount of \$9,579,400.65 ("Prior Bonds") pursuant to a resolution (Resolution No. 12:02/03) adopted by the District's Board of Trustees on February 6, 2003 ("District Resolution"), and a Resolution of the Board of Supervisors of the County adopted on March 4, 2003 ("County Resolution"), for the purpose of providing financing for school facilities constructed or acquired by the District; and

WHEREAS, U.S. Bank National Association, through the County, is the Paying Agent for the Prior Bonds ("Paying Agent"); and

WHEREAS, the Prior Bonds were issued as current interest serial bonds, current interest term bonds and capital appreciation bonds; and

WHEREAS, the Prior Bonds which are current interest bonds herein designated by the District for redemption and defeasance are next subject to redemption on August 1, 2013 ("2013 Redemption Date"), for the Prior Bonds which are current interest bonds maturing on or after August 1, 2014, at a redemption price of 100.0% on the principal amount thereof plus accrued interest on such Prior Bonds which are current interest bonds to such 2013 Redemption Date; and

WHEREAS, the District has determined that it is in the best interests of the District to defease the Prior Bonds which are current interest bonds ("Designated Prior Bonds") and the District has proposed to cause to be provided funds required to pay scheduled amounts of principal of, and interest on, the Designated Prior Bonds by way of such redemption and defeasance and to provide for prepayment of the Designated Prior Bonds on their corresponding designated redemption dates, and has determined that it is desirable to enter into this Escrow Agreement to provide for the redemption and defeasance of the Designated Prior Bonds; and

WHEREAS, the District is, concurrently with the delivery of this Escrow Agreement, issuing \$7,005,074.45 aggregate principal amount of its Hermosa Beach City School District 2005 General Obligation Refunding Bonds ("Refunding Bonds");

WHEREAS, the Refunding Bonds are being issued: (i) for the purpose of providing moneys to purchase certain Escrow Investments (as defined herein), which will be used to defease the Designated Prior Bonds pursuant to the terms of this Escrow Agreement; (ii) to finance public school facilities of the District; and (iii) to pay for authorized costs of issuance of the Refunding Bonds, including, but not limited to, paying consultant costs and bond insurance premiums (if any) relating to the Refunding Bonds;

WHEREAS, in order to accomplish the defeasance of the Designated Prior Bonds, the District will deposit, or cause to be deposited, a portion of the proceeds of the Refunding Bonds with the Escrow Bank in accordance with the terms of this Escrow Agreement; and

WHEREAS, by irrevocably depositing with the Escrow Bank monies as permitted, and in the manner described by Sections 11, 16 and 17 of the County Resolution, the District has determined, in reliance on a report provided by Causey Demgen & Moore, Inc. ("Verification Agent"), dated February 23, 2005 ("Escrow Verification Report"), upon which the Escrow Bank is conclusively relying as well, that the principal of, and interest on, the Escrow Investments, when due, will be sufficient to pay when due the redemption price of the Designated Prior Bonds on the 2013 Redemption Date and the principal and interest to become due on the Designated Prior Bonds prior to such 2013 Redemption Date; and

WHEREAS, the District has heretofore approved the issuance, sale and delivery of the Refunding Bonds and the deposit of a portion of the proceeds thereof in accordance with this Escrow Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND OF THE MUTUAL COVENANTS HEREINAFTER SET FORTH, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. Definitions. Unless the context clearly otherwise requires, or unless otherwise defined herein, the capitalized terms in this Escrow Agreement shall have the respective meanings which such terms are given in the District Issuance Resolution (hereinafter defined). In addition, the following terms defined in this Section 1 shall, for all purposes of this Escrow Agreement, have the respective meanings herein specified.

"County" means the County of Los Angeles.

"County Resolution" means the Resolution of the Los Angeles County Board of Supervisors adopted on March 4, 2003, providing for the issuance and sale of the Prior Bonds.

"Current Interest Prior Bonds" means the Current Interest Serial Bonds and Current Interest Term Bonds of the Prior Bonds maturing on August 1 of specified years, commencing August 1, 2006, through August 1, 2024, inclusive.

"District Issuance Resolution" means Resolution No. 15:04/05 of the District adopted on May 11, 2005, providing for the issuance and sale of the Refunding Bonds.

"Escrow Investments" shall have the meaning assigned to such term in Section 4 hereof.

"Informational Service" means Moody's Investors Service "Municipal and Government", 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attention: Called Bond Department.

"Prior Bonds" means the District's \$9,579,400.65 2003 General Obligation Bonds (Los Angeles County, California) Election of 2002, Series A.

"Refunding Bonds" means the District's \$7,005,074.45 initial aggregate principal amount of the District's 2005 General Obligation Refunding Bonds.

"Securities Depositories" means the following: The Depository Trust Company, with Cede & Co. as its nominee, Call Notification Department, 711 Stewart Avenue, Garden City, New York, 11530, Telecopy: (516) 227-4039, (516) 227-4190 and in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a written request of the District delivered to the Escrow Bank.

Section 2. Representations of the District. The District, as to itself and not as to any other party, hereby represents, warrants and agrees that:

(a) **Authorization.** The execution, delivery and performance of this Escrow Agreement by the District is within the District's powers and has been duly authorized by all necessary action(s) of the District.

(b) **No Conflict.** The execution, delivery and performance of this Escrow Agreement will not violate or conflict with: (i) any resolution of the District; (ii) the Constitution or laws of the State of California; or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other government or public entity with jurisdiction over the District or its operations; and (iv) will not result in or require the creation of any lien, mortgage, pledge, security interest or encumbrance of any kind (individually and collectively, a "Lien") on facilities financed through the District.

(c) **Binding Obligation.** This Escrow Agreement has been duly executed by, and is a legally valid and binding obligation of the District, enforceable against the District in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

(d) Title to Moneys Deposited in Escrow. The District has good, sufficient and legal title to the moneys deposited in the Escrow Fund established hereunder, free and clear of all liens other than those created hereby.

Section 3. Creation of Escrow Fund. There is hereby created and established with the Escrow Bank a special and irrevocable escrow fund designated "Hermosa Beach City School District 2003 General Obligation Bonds, Series A Escrow Fund" ("Escrow Fund") to be held in the custody of the Escrow Bank in trust under this Escrow Agreement for the benefit of the owners of the Designated Prior Bonds. Moneys and securities on deposit in the Escrow Fund shall be held in the custody of the Escrow Bank solely for the benefit of the owners of the Designated Prior Bonds. Except to the extent of any excess which is to be released as provided in Section 7 hereof, the District shall not have any interest in the funds or investments held in the Escrow Fund. The moneys and securities held hereunder shall be irrevocably set aside for the payment of the Designated Prior Bonds as provided in Section 7 hereof.

Section 4. Deposit to the Escrow Fund.

(a) The District shall, simultaneously with the execution hereof, execute a request and authorization instructing the Escrow Bank, acting as the paying agent for the Refunding Bonds ("2005 Paying Agent") to transfer, on the Closing Date (February 23, 2006) an amount equal to \$6,835,286.70 of the net proceeds of the Refunding Bonds into the Escrow Fund for the purposes set forth herein ("Deposit"); and

(b) The District warrants and represents (based on the Escrow Verification Report) that the Deposit is equal to an amount sufficient to purchase the Escrow Investments (as defined below), the principal of which, together with all interest due or to become due thereon, will be sufficient to pay when due the Redemption Price of the Designated Prior Bonds and to pay all principal and interest due thereon until the 2013 Redemption Date.

(c) To the extent the Deposit exceeds \$6,835,286.70, the amount required to fully fund the Escrow Fund (based upon the Escrow Verification Report) and used to purchase the Escrow Investments, then the excess amount of the Deposit shall be transferred promptly to the County of Los Angeles Treasurer-Tax Collector's office for deposit into the Debt Service Fund established for the Refunding Bonds in accordance with the District Issuance Resolution.

(d) The Escrow Bank agrees to purchase the designated Escrow Investments with the Deposit in the Escrow Fund following the aforementioned transfer and deposit. The Escrow Investments as set forth in Exhibit "A-1", attached hereto, shall mature no later than August 1, 2013, and shall have aggregate maturity value (including principal and interest) of not less than \$9,125,959.45 to make the payments as provided in Section 7, below ("Escrow Investments"). The Escrow Bank shall not have responsibility to ascertain the value of any particular Escrow Investment.

(e) For purposes of this Escrow Agreement, the term "Escrow Investments" shall include "United States Obligations", as defined in the County Resolution and "State and Local Government Obligations" ("SLGS").

(f) The Escrow Fund created hereby shall be irrevocable, and the Escrow Bank is hereby appointed to act for the benefit of the owners of the Designated Prior Bonds which owners 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. The Escrow Agent shall hold the moneys and investments on deposit in the Escrow Fund separate and apart from, and not commingled with, any other moneys or investments.

(g) Notwithstanding anything in this Escrow Agreement to the contrary, the District shall not direct the Escrow Bank to invest moneys in the Escrow Fund in investments with a yield in excess of 4.539040% (the blended Yield on the Refunding Bonds).

Section 5. Investment of Escrow Fund. The Escrow Bank will purchase the Escrow Investments for and on behalf of the District as provided in Section 4, above, and will hold such Escrow Investments, and all earnings received thereon and any reinvestment thereof, in the Escrow Fund and disburse such amounts as provided herein. The Escrow Bank shall collect amounts due as needed to make the payments and transfers required by this Escrow Agreement and may sell, liquidate or otherwise dispose of the Escrow Investments in accordance with Section 10 hereof. The Escrow Bank and its affiliates may act as principal, agent, sponsor, depository or advisor with respect to the holding or making of any investment.

In the event that at any time the District is of the opinion that for purposes of Section 4, hereof, it is necessary to restrict or limit the yield or the investment of any moneys held by the Escrow Bank pursuant to this Escrow Agreement, the District shall so instruct the Escrow Bank in writing, and the Escrow Bank shall take such action as may be directed in accordance with such instructions.

Section 6. Creation of Lien on Escrow Fund. The Escrow Fund created hereby shall be irrevocable, and the Escrow Bank is hereby appointed to act for the benefit of the owners of the Designated Prior Bonds identified in Exhibit "A", attached hereto, which owners 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. The Escrow Bank shall hold the moneys and investments on deposit in the Escrow Fund separate and apart from, and not commingled with, any other moneys or investments.

Section 7. Use of Escrow Fund; Defeasance of Prior Bonds.

(a) The District, by funding the Escrow Fund with the Escrow Investments, intends to defease the Designated Prior Bonds in accordance with their terms. The District hereby irrevocably designates the Designated Prior Bonds for redemption on the 2013 Redemption Date.

(b) The District hereby designates the Escrow Fund as a special fund, set aside for the payment of the principal and interest represented by the Designated Prior Bonds.

(c) The District hereby grants a security interest in the Escrow Fund in favor of the Escrow Bank for the benefit of the owners of the Designated Prior Bonds and agrees to take such actions as may be necessary to perfect such security interest in accordance with the laws of the State of California. However, notwithstanding the foregoing, the Escrow Bank shall have no lien or claim upon the funds held in the Escrow Fund for any fees, charges, costs or expenses of the Escrow Bank.

(d) The proceeds of the Refunding Bonds (as applied by funds and/or securities in the Escrow Fund) shall be used to pay principal and interest on the Designated Prior Bonds as the same shall come due pursuant to the provisions of the County Resolution and as set forth in Exhibit "A-2" hereto. The proceeds of the Escrow Investments shall be applied on and before August 1, 2013, to pay the principal and interest represented by the Designated Prior Bonds when due, and on the 2013 Redemption Date, to prepay and redeem in whole the then-outstanding Designated Prior Bonds at the redemption prices established therefor in the County Resolution. The Escrow Bank agrees to apply the principal of the Escrow Investments, and the interest thereon, on the dates specified herein, in accordance with their terms and to apply the proceeds thereof to the payment and redemption of the Designated Prior Bonds as aforesaid; any moneys remaining in the Escrow Fund following such redemption in whole shall be transferred to the 2004 Paying Agent or the County, as applicable, for deposit in the Debt Service Fund established under the District Issuance Resolution.

(e) Priority of Payments. The holders of the Designated Prior Bonds shall have a first lien upon all moneys and securities in the Escrow Fund until such moneys and securities are used and applied pursuant to the terms of this Escrow Agreement.

(f) Notice of Insufficiency of Funds. If at any time a responsible officer of the Escrow Bank shall receive actual knowledge that the moneys and Escrow Investments in the Escrow Fund established hereunder will not be sufficient to make any payment required hereunder, the Escrow Bank shall notify the District, in writing, of such fact.

Section 8. Notice of Discharge. Upon the purchase of the Escrow Investments, U.S. Bank National Association, as Paying Agent, shall mail a notice of defeasance of the Designated Prior Bonds, as identified in Exhibit "A" hereto, to the owners thereof, which notice of defeasance shall be substantially in the form attached hereto as Exhibit "B". The District hereby irrevocably instructs U.S. Bank National Association, as Paying Agent, to provide notice of redemption to the owners of the Designated Prior Bonds and to the Securities Depositories (as defined herein) and to Moody's "Municipal and Government" as the Information Service (as defined herein) of the redemption directed hereby in accordance with the provisions of Sections 11, 16 and 17 of the County Resolution. U.S. Bank National Association, as Paying Agent, shall also provide any other notices required under the provisions of the County Resolution required as a result of the defeasance of the Designated Prior Bonds. Any notices required by the foregoing sentence shall be at the expense of the District.

Section 9. Acceptance of Duties. U. S. Bank National Association, acting in its capacity as Escrow Bank, hereby accepts the duties and obligations of Escrow Bank hereunder and agrees to effect the purposes and directives of this Escrow Agreement by providing amounts to the Paying Agent for payment of principal and interest on the Designated Prior Bonds, as specified herein, from the proceeds of the Escrow Investments deposited hereunder.

Section 10. Reinvestment. Upon written direction of the District, the Escrow Bank shall reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable obligations which are direct obligations issued by the United States Treasury provided that:

(i) the Escrow Bank shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such reinvestment will not adversely affect the exclusion from gross income of interest with respect to the Refunding Bonds or the Designated Prior Bonds, which opinion shall be addressed to the District and the Escrow Bank; and

(ii) the Escrow Bank shall receive from an independent nationally recognized firm of certified public accountants acceptable to District a certification that, giving effect to such reinvestment, the principal of and interest on government obligations in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Designated Prior Bonds.

Except as provided in this Section 10, the Escrow Bank shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or escrow securities held hereunder. In no event shall the District direct the Escrow Bank to invest or reinvest moneys held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 11. Insufficiency of Escrow. If for any reason the investments and moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay, on a timely basis, principal and premium of, and interest on, that portion of the Prior Bonds identified in Exhibit "A" hereto (the Designated Prior Bonds), the District shall, nonetheless, no longer be obligated to continue to pay debt service on the Designated Prior Bonds identified in Exhibit "A" hereto, except to the extent the initial deposit was insufficient.

Section 12. Tax-Exempt Nature of Interest on Prior Bonds. The District covenants and agrees for the benefit of the owners of the Prior Bonds that it will not perform or permit to be performed any thing or act in such manner as would cause (a) interest on the Prior Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended, or (b) interest on the Refunding Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended ("Code"), and, in particular, it will not use any of the proceeds received from the sale of the Refunding Bonds, directly or indirectly, in any manner which would

result in such Refunding Bonds being classified as "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Section 13. Termination of Escrow Agreement. It is the intention and directive of the District that the proceeds of the Escrow Investments shall be applied on each February 1 and August 1 to pay the regularly scheduled principal and interest on the Designated Prior Bonds pursuant to the terms hereof and to pay the Redemption Price of the Designated Prior Bonds on the Redemption Date. The Escrow Bank agrees to apply the principal of, and investment earnings on, the Escrow Investments on the listed maturity date for the Escrow Investments, in accordance with their terms and to apply the proceeds thereof to the regularly scheduled payment of the principal and interest represented by the Designated Prior Bonds and the Redemption Price of the Designated Prior Bonds on the Redemption Date. Upon completion of all such payments and redemption this Escrow Agreement shall be terminated and of no further force or effect.

Section 14. Fees of Escrow Bank. The District shall pay to the Escrow Bank fees and expenses as are mutually agreed upon by the District and the Escrow Bank for payment in full for the services of the Escrow Bank as escrow holder hereunder.

It is also understood that the fee(s) agreed upon for the services of the Escrow Bank hereunder shall be considered compensation for its ordinary services as contemplated by this Escrow Agreement, but in the event that the conditions of the escrow provided for herein are not promptly fulfilled, or that the Escrow Bank renders any service hereunder not provided for in the foregoing instructions, or that there is an assignment of any interest in the subject matter of the escrow provided for herein, or modification hereof, or that any controversy arises hereunder or that the Escrow Bank is made a party to, or intervenes in, or interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Bank shall be reasonably compensated by the District for such extraordinary services and reimbursed for all costs and expenses occasioned by such default, delay, controversy or litigation, including, without limitation, the reasonable fees and disbursements of legal counsel (including the allocated costs and disbursements of in-house counsel) to the Escrow Bank. The Escrow Bank acknowledges and agrees that it shall have no lien against any funds or securities held in the Escrow Fund to satisfy or pay any fees or charges of the Escrow Bank.

Section 15. Indemnification. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, defend, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements of outside counsel and the allocated costs and disbursements of in-house counsel) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by the District or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in

accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in the absence of negligence in the conduct of its duties; provided, however, that the District shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct. The indemnities contained in this Section shall survive the resignation or removal of the Escrow Bank or the termination of this Escrow Agreement.

Section 16. Resignation of the Escrow Bank. The Escrow Bank, or a successor thereto, may at any time resign by giving thirty (30) days prior written notice to the District of such resignation. The District shall promptly appoint a successor escrow holder. Resignation of the Escrow Bank or a successor thereto will be effective only upon acceptance of appointment of a successor escrow holder. If the District does not appoint a successor within thirty (30) days of the Escrow Bank's notice of resignation, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor escrow holder, which court may thereupon, after such notice, if required by law, appoint a successor escrow holder. After receiving a notice of resignation of an Escrow Bank, the District may appoint a temporary escrow holder to replace the resigning Escrow Bank until the District appoints a successor escrow holder. Any such temporary escrow holder so appointed by the District shall immediately and without further act be superseded by the successor escrow holder so appointed.

Section 17. Replacement of the Escrow Bank. The District may, unless a default on the part of the District with regard to this Escrow Agreement has occurred and is continuing, by written notice given to the Escrow Bank or a successor thereto at least thirty (30) days prior to removal, remove the Escrow Bank as the escrow agent for this Escrow Agreement, or any successor thereto. In the event of such removal, the District shall, promptly and in writing, appoint a successor escrow holder. Any such successor shall be a commercial bank, trust company or Federal savings bank in good standing and doing business and having a corporate trust office in Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus together with its parent bank holding company of at least \$50,000,000 and subject to supervision or examination by federal or State authority. If such commercial bank, trust company or Federal savings bank and its parent bank holding company published 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 purposes of this Section 17, the combined capital and surplus of such commercial bank, trust company or Federal savings bank and its parent bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

Any removal of the escrow holder under this Escrow Agreement shall not become effective until written acceptance of the appointment by the successor escrow holder under this Escrow Agreement. Upon such appointment, qualification and acceptance, the successor escrow holder shall mail notice thereof to the owners of all outstanding Designated Prior Bonds at their addresses set forth in the Bond Register (as defined in the County Resolution). Upon the appointment, qualification and acceptance of a successor escrow holder, the escrow holder so replaced shall promptly transfer to the successor escrow holder such records, documents, funds, and securities as shall be necessary, or requested, by the successor escrow holder to comply with the obligations hereof.

Section 18. Merger or Consolidation of Escrow Bank. Any company, state banking corporation or national banking association into which the Escrow Bank may be merged or converted, or with which it may be consolidated, or any financial institution resulting from any merger, conversion or consolidation to which it shall be a party or any financial institution to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such financial institution shall be eligible under this Escrow Agreement, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 19. Immunities and Liabilities of Escrow Bank.

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

(b) The Escrow Bank shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special indirect or consequential damages, even if the Escrow Bank or the District know(s) of the possibility of such damages. The Escrow Bank is not required to resolve conflicting demands to money or property in its possession under this Escrow Agreement and may conclusively rely upon the direction of the District with respect to the resolution thereof.

(c) The Escrow Bank may consult with counsel of its own choice (which may be counsel to the District) and the opinion of such counsel shall be full and complete authorization to take or suffer any action hereunder in accordance with such opinion of counsel.

(d) The Escrow Bank shall not be responsible for any of the recitals or representations of the District contained herein.

(e) The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Escrow Investments deposited with it to pay the principal, interest, or premiums, if any, on the Designated Prior Bonds.

(f) The Escrow Bank shall not be liable for any action or omission of the District under this Escrow Agreement.

(g) Whenever in the administration of this Escrow Agreement the Escrow Bank shall deem it necessary or desirable that a matter be provided or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate or an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

(h) The Escrow Bank may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Escrow Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank in connection with this Escrow Agreement and reasonably believed by the Escrow Bank to have been 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.

Section 20. Representations in Related Documents. Each party hereto represents and warrants that nothing contained in this Escrow Agreement in any way conflicts with any representations made by such party in connection with the documents referred to herein whether such representations were made by the documents or otherwise.

It is further agreed that the role of the Escrow Agent herein is strictly limited to that of escrow holder and that the Escrow Agent in its capacity as such makes no representations whatsoever as to the nature of the documents referred to herein or their compliance or lack thereof with any applicable state or federal laws, regulations or rulings except as otherwise expressly stated herein.

Section 21. Amendment. This Escrow Agreement is made for the benefit of the District and the owners from time to time of the Designated Prior Bonds ("Owners") and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Bank and the District; provided, however, that the District and the Escrow Bank may, without the consent of, or notice to, such Owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the Owners of the Designated Prior Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; and (iii) to include under this Escrow Agreement additional funds or securities. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 21 including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Designated Prior Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section 21.

Section 22. Beneficiaries. The provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors or assigns.

Section 23. Notices. All notices, instructions, accounting and other communications under this Escrow Agreement shall be in writing and shall be deemed duly given to the parties hereto upon actual receipt if sent by U.S. Postal Service mail, after deposit thereto, postage prepaid and addressed as follows:

If to the District: Hermosa Beach City School District
1645 Valley Drive
Hermosa Beach, CA 90254
Attn: Superintendent

If to Escrow Bank: U. S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Corporate Trust Department

Section 24. Assignment. This Agreement shall not be assigned by the Escrow Bank without the prior written consent of the District.

Section 25. Representations of Escrow Bank. The Escrow Bank, as to itself and not as to any other party, hereby represents, warrants and agrees that:

(a) **Authorization.** The execution, delivery and performance of this Escrow Agreement by the Escrow Bank is within the Escrow Bank's powers and has been duly authorized by all necessary action(s) of the Escrow Bank.

(b) **No Conflict.** To the best knowledge of the Escrow Bank the execution, delivery and performance of this Escrow Agreement will not violate or conflict with:

- (i) The articles of association or by-laws of the Escrow Bank; or
- (ii) Any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other government or public entity with jurisdiction over the Escrow Bank or its operations.

For purposes of the representations set forth in this Section 25, "to the best knowledge" means the actual, personal knowledge of the undersigned of behalf of the Escrow Bank.

(c) **Binding Obligation.** This Escrow Agreement has been duly executed by, and is a legally valid and binding obligation of the Escrow Bank.

Section 26. Severability. If any one or more of the covenants and agreements provided in this Escrow Agreement on the part of the District or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable 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 27. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

Section 28. 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 29. Counterparts. This Escrow Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

[Remainder of this page is blank]

IN WITNESS WHEREOF, the Hermosa Beach City School District and U.S. Bank National Association, as Escrow Bank, have both caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

HERMOSA BEACH CITY SCHOOL DISTRICT:

By: Sharon L. McClaw
Title: Superintendent

**U. S. BANK NATIONAL ASSOCIATION, as
Escrow Bank:**

By: _____
Title: _____

IN WITNESS WHEREOF, the Hermosa Beach City School District and U.S. Bank National Association, as Escrow Bank, have both caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

HERMOSA BEACH CITY SCHOOL DISTRICT:

By: _____
Title: Superintendent

**U. S. BANK NATIONAL ASSOCIATION, as
Escrow Bank:**

By:  _____
Title: Alicia Estrada
Vice President

**ACKNOWLEDGMENT OF
U. S. BANK NATIONAL ASSOCIATION
AS PAYING AGENT FOR THE PRIOR BONDS**

U. S. Bank National Association, as paying agent for the Prior Bonds, hereby acknowledges the provisions of this Escrow Agreement and, in particular, Section 7 hereof and, as such provisions are applicable to U. S. Bank National Association, in its capacity as paying agent for the Prior Bonds, agrees to comply therewith.

**U. S. BANK NATIONAL ASSOCIATION, as
Paying Agent for the Prior Bonds:**



By: _____
Authorized Officer

**Alicia Estrada
Vice President**



Update a Subscription Before Issue Date

View a Subscription : Review

[|| Issue Information ||](#) [Owner ||](#) [Trustee ||](#) [FI Out ||](#)
[|| ACH ||](#) [FI In ||](#) [Subscriber ||](#) [Viewer ||](#) [SLGS Schedule ||](#)

Issue Information

Treasury Case Number:
2006-00847

Issue Date:
02/23/2006

Issue Amount:
\$6,835,286.00

Bank Ref. Number:

Rate Table Date:
02/02/2006

Status:
Complete

[Return to top of page](#)

State or Local Government Body

Underlying Bond Issue: Hermosa Beach City School District 2005 Refunding Bonds & Series B

Taxpayer Identification Number: 95-6001563

HERMOSA BEACH CITY SCHOOL DISTRICT
1645 VALLEY DRIVE
HERMOSA BEACH, CA 90254

Contact: DR. SHARON MCCLAIN, SUPERINTENDENT

Telephone: 310-937-5877

Fax: 310-376-4974

E-Mail: smcclain@hbcasd.org

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Trustee Bank

(as appointed by state or local government body)

ABA Routing Number: 091000022

US Bank

Corporate Trust Services
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071

Contact: ALICIA ESTRADA

Telephone: 213-615-6018

Fax: 213-615-6199

E-Mail: alicia.estrada@usbank.com

[Return to top of page](#)

Financial Institution Managing ACH Payment



Subscription for Purchase and Issue Time Deposit : Confirmation



SLG Safe
Main Menu

SLGS Daily
Rate Table

SLG Safe
E-Mail

To Exit SLG Safe:

- Please select one -

Treasury Case Number:
2006-00847

Bank Ref. Number:

Issue Amount:
\$6,835,286.00

Owner Name:
Hermosa Beach City School District

Issue Date:
02/23/2006

TIN:
95-6001563

Thank you for subscribing to SLGS. The Bureau of the Public Debt has received the following subscription:

Treasury Case Number: 2006-00847
Confirmation Date: February 02, 2006
Confirmation Time: 05:59 PM ET
Rate Table Date: February 02, 2006
Status: Complete

Please record this information for your case file.

Please use these buttons for other options within SLG Safe:

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Create PDF

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E-Mail

SLGS Daily
Rate Table

SLG Safe
Main Menu

These links will take you out of SLG Safe to the:
|| [SLGS OnLine Home Page](#) || [Public Debt Home Page](#) ||

Updated February 2, 2006 5:59:40 PM EST

ABA Routing Number: 091000022

US Bank Trust NA
60 Livingston Avenue
St Paul, MN 55107

Contact: ALICIA ESTRADA**Telephone:** 213-615-6018**Fax:** 213-615-6199**E-Mail:** alicia.estrada@usbank.com**ACH Payment Instructions****ABA Routing Number:** 091000022**Account Name:** US BANK**Account Number:** 173100077762**Account Type:** Checking[Return to top of page](#)**Financial Institution Transmitting Funds for Purchase****ABA Routing Number:** 091000022

US BANK, N.A.

Contact: ALICIA ESTRADA**Telephone:** 213-615-6018**Fax:** 213-615-6199**E-Mail:** alicia.estrada@usbank.com[Return to top of page](#)**Subscriber****ABA Routing Number or TIN:** 091000022

US Bank

Corporate Trust Services
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071

Contact: MERLA S TOMAS**Telephone:** 213-615-6050**Fax:** 213-615-6199**E-Mail:** merla.tomas@usbank.com[Return to top of page](#)**Viewers***(as assigned by subscriber)*[Return to top of page](#)**Schedule of SLGS Securities**

Security Number	Principal Amount	Interest Rate (percentage)	Maturity Date (mmddyyyy)	First Interest Payment (mmddyyyy)
1	\$8,328	4.58	08-01-2006	--
2	\$6,826,958	4.51	08-01-2013	08-01-2006

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EXHIBIT "A-2"
ESCROW FUND CASH FLOW

HERMOSA BEACH CITY SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2002, SERIES 2005B
2005 GENERAL OBLIGATION REFUNDING BONDS

DESCRIPTION OF THE ESCROWED SECURITIES
AS OF FEBRUARY 23, 2006

Type	Settlement Date	Maturity Date	Par Amount	Coupon Rate	Price	Total Cost
SLGS	23-Feb-06	01-Aug-06	\$8,328.00	4.580%	100.000000%	\$8,328.00
SLGS	23-Feb-06	01-Aug-13	6,826,958.00	4.510%	100.000000%	6,826,958.00
			<u>\$6,835,286.00</u>			<u>\$6,835,286.00</u>

EXHIBIT "A-1"
ESCROW INVESTMENTS

EXHIBIT A-1

**HERMOSA BEACH CITY SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2002, SERIES 2005B
2005 GENERAL OBLIGATION REFUNDING BONDS**

**CASH RECEIPTS FROM THE ESCROWED SECURITIES
AS OF FEBRUARY 23, 2006**

Payment Date	4.580000%		56,826,958.00		Total Cash Receipts
	SLGS (1)	01-Aug-06	SLGS (1)	01-Aug-13	
01-Aug-06		\$8,494.15		\$135,236.00	\$143,730.15
01-Feb-07				153,947.90	153,947.90
01-Aug-07				153,947.90	153,947.90
01-Feb-08				153,947.90	153,947.90
01-Aug-08				153,947.90	153,947.90
01-Feb-09				153,947.90	153,947.90
01-Aug-09				153,947.90	153,947.90
01-Feb-10				153,947.90	153,947.90
01-Aug-10				153,947.90	153,947.90
01-Feb-11				153,947.90	153,947.90
01-Aug-11				153,947.90	153,947.90
01-Feb-12				153,947.90	153,947.90
01-Aug-12				153,947.90	153,947.90
01-Feb-13				153,947.90	153,947.90
01-Aug-13				6,980,905.90	6,980,905.90
		\$8,494.15		\$9,117,464.60	\$9,125,958.75

- (1) U.S. Treasury Certificate of Indebtedness (State and Local Government Series)
(2) U.S. Treasury Note or Bond (State and Local Government Series).

EXHIBIT A

**HERMOSA BEACH CITY SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2002, SERIES 2005B
2005 GENERAL OBLIGATION REFUNDING BONDS**

**ESCROW ACCOUNT CASH FLOW
AS OF FEBRUARY 23, 2006**

Date	Total Cash Receipts From U.S. Treasury Securities (Exhibit A-1)	Cash Disbursements From Escrow (Exhibit B)	Cash Balance
Beginning Balance:			\$0.70
01-Aug-06	\$143,730.15	\$143,730.63	0.22
01-Feb-07	153,947.90	143,730.63	10,217.49
01-Aug-07	153,947.90	143,730.63	20,434.76
01-Feb-08	153,947.90	143,730.63	30,652.03
01-Aug-08	153,947.90	143,730.63	40,869.30
01-Feb-09	153,947.90	143,730.63	51,086.57
01-Aug-09	153,947.90	143,730.63	61,303.84
01-Feb-10	153,947.90	143,730.63	71,521.11
01-Aug-10	153,947.90	143,730.63	81,738.38
01-Feb-11	153,947.90	143,730.63	91,955.65
01-Aug-11	153,947.90	143,730.63	102,172.92
01-Feb-12	153,947.90	143,730.63	112,390.19
01-Aug-12	153,947.90	143,730.63	122,607.46
01-Feb-13	153,947.90	143,730.63	132,824.73
01-Aug-13	6,980,905.90	7,113,730.63	0.00
	<u>\$9,125,958.75</u>	<u>\$9,125,959.45</u>	

\$132,824.70

EXHIBIT "B"

NOTICE OF DEFEASANCE

**HERMOSA BEACH CITY SCHOOL DISTRICT
2003 GENERAL OBLIGATION BONDS
(COUNTY OF LOS ANGELES, CALIFORNIA)
ELECTION OF 2002, SERIES A**

**(Current Interest Serial Bonds Maturing August 1, 2006, and later
and Current Interest Term Bonds Maturing August 1, 2024)**

[Listing of CUSIP Numbers, maturity dates and principal amounts to be paid]

NOTICE IS HEREBY GIVEN to the holders of the above-referenced General Obligation Bonds ("Bonds") that the Hermosa Beach City School District has deposited, pursuant to an Escrow Agreement, dated February 23, 2006, with U. S. Bank National Association, Los Angeles, California, the escrow bank for said Bonds, cash and obligations of the United States of America, the principal of and interest on which when due will provide moneys sufficient to pay when due the principal and interest when due on said Bonds ("Designated Bonds") maturing on or after the date hereof as verified by or on behalf of the District.

The moneys so deposited in the Escrow Fund (including the earnings derived from the investment thereof) are irrevocably pledged to the payment of principal or redemption price of and interest on the Designated Bonds identified above. Said moneys have been invested in obligations for the payment of which the full faith and credit of the United States of America is pledged and which bear interest and mature on such dates as to insure the payment of all principal, premium, as applicable, and interest on the Designated Bonds identified above. Pursuant to the Escrow Agreement, the District may substitute securities for those initially deposited in the Escrow Fund and withdraw moneys from the Escrow Fund subject to the terms and conditions set forth in the Escrow Agreement.

Such Designated Bonds are required to be surrendered at the office of U. S. Bank National Association.

Interest on the Designated Bonds will not accrue from and after the stated redemption date.

[Additional information relating to place of payment, etc., may be inserted by Escrow Bank.]

DATED this _____ day of _____, 200__.

EXHIBIT B

**HERMOSA BEACH CITY SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2002, SERIES 2005B
2005 GENERAL OBLIGATION REFUNDING BONDS**

**ESCROW ACCOUNT DISBURSEMENT REQUIREMENTS
FOR THE REFUNDED BONDS
AS OF FEBRUARY 23, 2006**

Payment Date	Rate	Payment For		Total
		Principal Redeemed	Interest	
01-Aug-06			\$143,730.63	\$143,730.63
01-Feb-07			143,730.63	143,730.63
01-Aug-07			143,730.63	143,730.63
01-Feb-08			143,730.63	143,730.63
01-Aug-08			143,730.63	143,730.63
01-Feb-09			143,730.63	143,730.63
01-Aug-09			143,730.63	143,730.63
01-Feb-10			143,730.63	143,730.63
01-Aug-10			143,730.63	143,730.63
01-Feb-11			143,730.63	143,730.63
01-Aug-11			143,730.63	143,730.63
01-Feb-12			143,730.63	143,730.63
01-Aug-12			143,730.63	143,730.63
01-Feb-13			143,730.63	143,730.63
01-Aug-13	Various	\$6,970,000.00	143,730.63	7,113,730.63
		<u>\$6,970,000.00</u>	<u>\$2,155,959.45</u>	<u>\$9,125,959.45</u>