In the opinion of Nixon Peabody LLP, as Note Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series A Notes, the Series B Notes and the Series C Notes (each as defined below and, collectively, the “Tax-Exempt Notes”) when issued in accordance with a Tax and Nonarbitrage Certificate and the Issuing and Paying Agent Agreement, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to the federal tax status of interest on any Series A Note or Series B Note for any period that such Series A Note or Series B Note is held by a “substantial user” of the facilities financed or refinanced by the Series A Notes and Series B Notes, or by a “related person” to such a substantial user within the meaning of Section 147(a) of the Code. Note Counsel observes that interest on the Series A Notes will be treated as a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Note Counsel further observes that interest on the Series B Notes and the Series C Notes will not be a specific preference item for purposes of the federal individual and corporate alternative minimum taxes but interest on the Series B Notes and Series C Notes will be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Other than as set forth below, Note Counsel will not render an opinion with regard to federal income tax consequences with respect to the Series D Notes (the “Taxable Notes” and together with the Tax-Exempt Notes, the “Commercial Paper Notes”). Interest on the all of the Commercial Paper Notes, including the Taxable Notes, will be exempt from State of California personal income taxes. See “TAX MATTERS” herein.

HARBOR DEPARTMENT
OF THE CITY OF LOS ANGELES
Commercial Paper Notes

consisting of

Not to Exceed $125,000,000
Series A-1 (Exempt Facility AMT)
Series B-1 (Exempt Facility Non-AMT)
Series C-1 (Governmental Non-AMT)
Series D-1 (Taxable)

Not to Exceed $125,000,000
Series A-2 (Exempt Facility AMT)
Series B-2 (Exempt Facility Non-AMT)
Series C-2 (Governmental Non-AMT)
Series D-2 (Taxable)

The Harbor Department of the City of Los Angeles (the “Department”) will reoffer $250,000,000 aggregate principal amount of the above-referenced Commercial Paper Notes. Capitalized terms are defined herein or in APPENDIX B – “SUMMARY OF CERTAIN LEGAL DOCUMENTS – Definitions.”

The Department is authorized to issue the Commercial Paper Notes pursuant to Section 609 of the Los Angeles City Charter, the Charter implementation ordinance related to the procedures for issuance and sale of revenue bonds and other obligations by the Department, adding Sections 11.28.1 through 11.28.9 of Division 11, Chapter 1, Article 6.5 of the Los Angeles Administrative Code and the Resolutions (as defined herein). In connection with the reoffering of the Commercial Paper Notes, the Department will enter into an Amended and Restated Issuing and Paying Agent Agreement (the “Issuing and Paying Agent Agreement”), between the Department and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”). Pursuant to the Resolutions and the Issuing and Paying Agent Agreement, the Department is authorized to issue Commercial Paper Notes in an aggregate principal amount not to exceed the lesser of (a) $250,000,000 and (b) the combined Principal Components of the then-effective Liquidity Facilities.

The payment of principal and interest on maturing Commercial Paper Notes (other than Commercial Paper Notes owned by, and for the account of or on behalf of the City of Los Angeles (the “City”), the Department or any affiliate thereof), will be supported by two line of credit agreements. Mizuho Corporate Bank, Ltd., acting through its New York Branch, will enter into a line of credit agreement dated as of July 1, 2012 with the Department and the Issuing and Paying Agent (the “Mizuho Credit Agreement”) to support the payments of the principal and interest when due on the Series A-1 Notes, the Series B-1 Notes, the Series C-1 Notes and the Series D-1 Notes (collectively, the “Mizuho Supported Notes”). Wells Fargo Bank, National Association will enter into a line of credit agreement dated as of July 1, 2012 with the Department and the Issuing and Paying Agent (the “Wells Fargo Credit Agreement” and, together with the Mizuho Credit Agreement, the “Credit Agreements”) to support the payments of the principal and interest when due on the Series A-2 Notes, the Series B-2 Notes, the Series C-2 Notes and the Series D-2 Notes (collectively, the “Wells Fargo Supported Notes”). The Mizuho Credit Agreement will only provide liquidity support with the respect to the Mizuho Supported Notes and the Wells Fargo Credit Agreement will only provide liquidity support with respect to the Wells Fargo Supported Notes.

The Commercial Paper Notes are issuable from time to time in fully-registered form, will be dated the date of their respective issuance and will mature not more than 270 days from the date of their respective issuance. Interest payments on each Commercial Paper Note will be made on the maturity date of such Commercial Paper Note in the amount of interest accrued from and including the date of issuance of such Commercial Paper Note to, but excluding, the maturity date thereof. The Commercial Paper Notes will not be subject to redemption prior to maturity. See “THE COMMERCIAL PAPER NOTES – Terms of the Commercial Paper Notes.”

Commercial Paper Notes may be purchased in book-entry form only, in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof. Payments of principal of and interest on the Commercial Paper Notes are and will be paid by the Issuing and Paying Agent, to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Commercial Paper Notes. See APPENDIX C – “DTCP BOOK-ENTRY SYSTEM.”

The Commercial Paper Notes do not constitute an obligation of the Department other than to pay from Revenues and do not constitute an obligation of the City or any other public agency. The Commercial Paper Notes are revenue obligations and are payable as to both principal and interest from, and shall be secured by a pledge (which pledge shall be effected in the manner and to the extent provided in the Issuing and Paying Agent Agreement) of and lien on, the Revenues on a parity with the Parity Obligations. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Commercial Paper Notes. The Department has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES.”

In connection with the reoffering of the Commercial Paper Notes, certain legal matters will be passed upon for the Department and the City by the City Attorney, for the Department by Nixon Peabody LLP, as Note Counsel and Disclosure Counsel to the Department, and for the Banks by their counsel, Chapman and Cutler LLP.

Exclusive Dealers

Loop Capital Markets

Morgan Stanley

July 16, 2012
No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representations, with respect to the Department or its obligations, other than those contained in this Offering Memorandum and if given or made such other information or representations must not be relied upon as having been authorized by the Department.

The information set forth herein has been furnished by the Department and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department or its operations since the date hereof.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Commercial Paper Notes nor shall there be any sale of any of the Commercial Paper Notes by any person in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer, solicitation or sale.

This Offering Memorandum contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections and management’s judgment about the port industry and general economic conditions. Such words as “expects,” “intends,” “plans,” “except,” “believes,” “estimates,” “budget,” “continue,” “anticipates” or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Department’s forecasts in any way, regardless of the level of optimism communicated in the information. Factors which may cause a result different than expected or anticipated include new legislation, unfavorable court decisions, increases in prices, changes in environmental compliance requirements, acquisitions, natural disasters such as earthquakes or floods or other impacts of weather. The Department does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Estimates and opinions are included and should not be intended as statements of fact and are not to be construed as representations that they will be realized.

This Offering Memorandum is not to be construed as a contract between the Department and the purchasers of the Commercial Paper Notes. The reoffering of the Commercial Paper Notes by the Department is not a representation to potential investors that an investment in the Commercial Paper Notes is an appropriate investment for such investor or that the Department is recommending the purchase of the Commercial Paper Notes to any potential investor. Each potential investor must determine on its own whether an investment in Commercial Paper Notes is appropriate for the investor and best satisfies the investment goals and financial position of the investor.

THE COMMERCIAL PAPER NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE COMMERCIAL PAPER NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.
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HARBOR DEPARTMENT
OF THE CITY OF LOS ANGELES
Commercial Paper Notes

consisting of

Not to Exceed $125,000,000
Series A-1 (Exempt Facility AMT)
Series B-1 (Exempt Facility Non-AMT)
Series C-1 (Governmental Non-AMT)
Series D-1 (Taxable)

Not to Exceed $125,000,000
Series A-2 (Exempt Facility AMT)
Series B-2 (Exempt Facility Non-AMT)
Series C-2 (Governmental Non-AMT)
Series D-2 (Taxable)

INTRODUCTION

This Offering Memorandum, which includes the cover page, the inside cover page and Appendices hereto, is being furnished by the Harbor Department of the City of Los Angeles (the “Department”) to provide information concerning the reoffering by the Department of not to exceed $250,000,000 of Commercial Paper Notes, Series A (Exempt Facility AMT) (the “Series A Notes”), Series B (Exempt Facility Non-AMT) (the “Series B Notes”), Series C (Governmental Non-AMT) (the “Series C Notes”) and Series D (Taxable) (the “Series D Notes”) and together with the Series A Notes, the Series B Notes and the Series C Notes, the “Commercial Paper Notes”). The Commercial Paper Notes are divided into eight subseries: Series A-1 (the “Series A-1 Notes”), Series A-2 (the “Series A-2 Notes”), Series B-1 (the “Series B-1 Notes”), Series B-2 (the “Series B-2 Notes”), Series C-1 (the “Series C-1 Notes”), Series C-2 (the “Series C-2 Notes”), Series D-1 (the “Series D-1 Notes”) and Series D-2 (the “Series D-2 Notes”). The Commercial Paper Notes are being reoffered in connection with the replacement of the line of credit agreement securing payment of principal and interest on the Commercial Paper Notes.

This Introduction is not a summary of this Offering Memorandum and is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Offering Memorandum. The reoffering of the Commercial Paper Notes to potential investors is made only by means of the entire Offering Memorandum. Capitalized terms used in this Offering Memorandum and not otherwise defined shall have the respective meanings assigned to them in APPENDIX B – “SUMMARY OF CERTAIN LEGAL DOCUMENTS – Definitions.”

The Commercial Paper Notes are issuable from time to time in fully-registered form, will be dated the date of their respective issuance and will mature not more than 270 days from the date of their respective issuance. Pursuant to the Resolutions (as defined below) and the Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2012 (the “Issuing and Paying Agent Agreement”), between the Department and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”), the Commercial Paper Notes will be authorized to be issued in an aggregate principal amount not to exceed the lesser of (a) $250,000,000 and (b) the combined Principal Components of the then-effective Liquidity Facilities. As described herein, as of the date of the reoffering of the Commercial Paper Notes, the combined Principal Components of the Liquidity Facilities in effect with respect to the Commercial Paper Notes will be $250,000,000.

Interest payments on each Commercial Paper Note will be made on the maturity date of such Commercial Paper Note in the amount of interest accrued from and including the date of issuance of such Commercial Paper Note to but excluding the maturity date thereof. The Commercial Paper Notes will not be subject to redemption prior to maturity.

The Department and the Port

The Department is a proprietary, independent department of the City of Los Angeles (the “City”), with possession, management and control of the Port of Los Angeles (the “Port”), located in San Pedro
Bay, approximately 20 miles south of downtown Los Angeles. The Department has three major sources of revenue: (i) shipping revenue, which is a function of cargo throughput, (ii) revenue from permit agreements (i.e., agreements generally similar to leases) and (iii) fees and royalty revenue. During the fiscal year ended June 30, 2011, the Port handled approximately 7,935,000 TEUs, ranking the Port as the busiest container port in the nation. A “TEU” is a unit of cargo capacity often used to describe the capacity of container ships and container terminals and is based on the volume of a 20-foot long shipping container, a standard-sized metal box which can be easily transferred between different modes of transportation, such as ships, trains and trucks. In terms of physical size, the Port is the largest port on the west coast of the United States, including 7,500 acres of land and water. The Port generally encompasses approximately 43 miles of waterfront berthing and 27 terminal facilities. A description of the Port, the Department and certain financial and operating information concerning the Department is contained in “THE PORT AND THE DEPARTMENT.”

Security and Source of Payment

The Commercial Paper Notes are revenue obligations and are payable as to both principal and interest from, and are secured by a pledge of and lien on, the Revenues on a parity with Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Parity and Subordinate Obligations.” To provide liquidity support for the Commercial Paper Notes, the Department will enter into two line of credit agreements. See “THE CREDIT AGREEMENTS.”

The Commercial Paper Notes do not constitute an obligation of the Department other than to pay from Revenues and do not constitute an obligation of the City or any other public agency. The Commercial Paper Notes are revenue obligations and are payable as to both principal and interest from, and shall be secured by a pledge (which pledge shall be effected in the manner and to the extent provided in the Issuing and Paying Agent Agreement) of and lien on, the Revenues on a parity with the Parity Obligations. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Commercial Paper Notes. The Revenues constitute a trust fund for the security and payment of the interest on and principal of the Commercial Paper Notes and all obligations of the Department relating to the Commercial Paper Notes under the Issuing and Paying Agent Agreement and under the Credit Agreements and all Parity Obligations in accordance with the terms of the Parity Revenue Bond Indentures (as defined herein). The Revenues are pledged to the payment of the Commercial Paper Notes and all obligations of the Department relating to the Commercial Paper Notes under the Issuing and Paying Agent Agreement and under the Credit Agreements without priority or distinction of one over the other. The Revenues are also pledged to the payment of the Parity Obligations in accordance with the terms of the Parity Revenue Bond Indentures. The pledge of Revenues under the Issuing and Paying Agent Agreement is irrevocable until all of the Commercial Paper Notes have been paid and retired and any related obligations of the Department under the Credit Agreements have been satisfied in full. Notwithstanding the Department's covenant to fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the City Council of the City in those instances and in such manner as may be required under the Charter, at levels sufficient to provide funds necessary to pay its outstanding obligations payable from the Harbor Revenue Fund (including the Commercial Paper Notes), there can be no assurance that there will be sufficient amounts available in the Harbor Revenue Fund at any time for the payment of the maturing Commercial Paper Notes. The Department has no taxing power. None of the property of the Department is subject to any mortgage or other lien for the benefit of owners of the Commercial Paper Notes. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES.”
The Credit Agreements

Mizuho Corporate Bank, Ltd., acting through its New York Branch (“Mizuho”), will enter into a line of credit agreement dated as of July 1, 2012 with the Department and the Issuing and Paying Agent (the “Mizuho Credit Agreement”) to support the payments of the principal and interest when due on the Series A-1 Notes, the Series B-1 Notes, the Series C-1 Notes and the Series D-1 Notes (collectively, the “Mizuho Supported Notes”). Wells Fargo Bank, National Association (“Wells Fargo”) will enter into a line of credit agreement dated as of July 1, 2012 with the Department and the Issuing and Paying Agent (the “Wells Fargo Credit Agreement”) to support the payments of the principal and interest when due on the Series A-2 Notes, the Series B-2 Notes, the Series C-2 Notes and the Series D-2 Notes (collectively, the “Wells Fargo Supported Notes”). Mizuho and Wells Fargo are collectively referred to in this Offering Memorandum as the “Banks.” The Mizuho Credit Agreement and the Wells Fargo Credit Agreement are collectively referred to in this Offering Memorandum as the “Credit Agreements.”

Pursuant to the terms of the respective Credit Agreement, each Bank has agreed to make advances from time to time (“Liquidity Advances”) to the Issuing and Paying Agent for the purpose of paying the principal of and interest on its related series of maturing Commercial Paper Notes (other than Commercial Paper Notes owned by, for the account of or on behalf of the City, the Department or any affiliate thereof) for which refinancing Commercial Paper Notes (“Rollover Notes”) shall not have been issued. Each Bank has agreed to make Liquidity Advances of up to an amount equal to $136,250,000 (which will be available to pay principal of and interest of the Commercial Paper Notes at an assumed rate of 12% for a period of 270 days) under its respective Credit Agreement, subject to certain conditions. In the case of certain events of termination described in the respective Credit Agreement, the obligations of the respective Bank to make Liquidity Advances shall terminate and during the pendency of certain Suspension Events described in such Credit Agreement, the respective Bank’s commitment to make Liquidity Advances shall be immediately suspended without notice or demand and thereafter such Bank shall be under no obligation to make further Liquidity Advances. See “THE CREDIT AGREEMENTS.”

Under certain circumstances, the obligation of a Bank to make Liquidity Advances may be immediately terminated or suspended automatically and with no notice to the Owners of the respective Commercial Paper Notes even though the related Credit Agreement was in effect on the date of the issuance of the related Commercial Paper Notes. In such event, sufficient funds may not be available to pay the related Commercial Paper Notes. See “THE CREDIT AGREEMENTS” and “THE BANKS.”

Book-Entry Only System

The Commercial Paper Notes may be purchased in book-entry form only. The Commercial Paper Notes will be registered in the name of a nominee of The Depository Trust Company (“DTC”), which acts as Securities Depository for the Commercial Paper Notes. See “THE COMMERCIAL PAPER NOTES – The Book-Entry System” and APPENDIX C – “DTC BOOK-ENTRY SYSTEM.”

Rate Covenant

The Department has covenanted under the Issuing and Paying Agent Agreement and the Credit Agreements that it shall fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the City Council only in those instances and in such manner as may be provided in the Charter, and collect such charges, rentals, compensations and fees, such as to provide revenues, after payment of all Operation and Maintenance costs for each Fiscal Year, which will at least equal one hundred twenty-five percent (125%) of Debt Service (as described below) and other amounts required to be paid by the Department under the Issuing and Paying Agent Agreement for such Fiscal Year, and during such period the City Council shall, when its approval is required by the Charter, approve rates, tolls, charges, rentals, compensations and fees
so fixed by the Department sufficient for the purposes aforesaid. See “SECURITY AND SOURCE OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Rate Covenant.”

Parity Obligations

The Department has authorized and issued certain Parity Obligations that are payable from Revenues of the Department on a parity with the payment of the Commercial Paper Notes. The Department may issue additional Parity Obligations in the future subject to the provisions of the Issuing and Paying Agent Agreement. No obligations senior to the Commercial Paper Notes or Parity Obligations are currently authorized or outstanding. The Issuing and Paying Agent Agreement does not prohibit the Department from issuing subordinate obligations payable out of the Harbor Revenue Fund. The Department had $979,930,000 of Parity Obligations outstanding as of June 30, 2011 and had $940,125,000 of Parity Obligations outstanding as of June 30, 2012. Subject to the satisfaction of the conditions set forth in the Issuing and Paying Agent Agreement, the Department may issue additional bonds, notes or other evidence of indebtedness payable out of the Harbor Revenue Fund and ranking on a parity with the Commercial Paper Notes. The Department had no swaps outstanding as of June 30, 2012. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Parity and Subordinate Obligations.” The Department’s obligation to repay Liquidity Advances under the Credit Agreements is a revenue obligation, payable as to both principal and interest from, and is secured by a pledge of and lien on, Revenues on a parity with Parity Obligations.

Exclusive Co-Dealers

The Department has appointed Loop Capital Markets LLC and Morgan Stanley & Co. LLC, as exclusive co-dealers for the Commercial Paper Notes. See “THE DEALERS.”

No Continuing Disclosure

The offering and sale of the Commercial Paper Notes is exempt from the rules of the Securities and Exchange Commission (“SEC”) relating to the continuing disclosure of annual financial and operating information and certain material events, and the Department does not intend to enter into any undertaking to provide updated disclosure information to holders of the Commercial Paper Notes. See “NO CONTINUING DISCLOSURE.”

Other Matters

The Department provides copies of its annual reports, which include the Department’s audited financial statements as well as other pertinent financial information, to each rating agency rating the Commercial Paper Notes on a periodic basis. Requests for copies of annual reports, any other publicly available pertinent financial information prepared by the Department for public distribution, the Resolutions, the Issuing and Paying Agent Agreement and questions about this Offering Memorandum should be addressed to: Harbor Department of the City of Los Angeles, 425 South Palos Verdes Street, San Pedro, California 90731, Attention: Soheila Sajadian, Director, Debt & Treasury Division, (310) 732-3756.

THE COMMERCIAL PAPER NOTES

Authority for Issuance

The Commercial Paper Notes are authorized under Section 609 of the Los Angeles City Charter (the “Charter”), the Charter implementation ordinance related to the procedures for issuance and sale of revenue bonds and other obligations by the Department, adding Sections 11.28.1 through 11.28.9 of Division 11, Chapter 1, Article 6.5 to the Los Angeles Administrative Code (the “Procedural Ordinance”), and Resolution No. 6021 adopted by the Board of Harbor Commissioners of the City of Los Angeles (the “Board”) on August 22, 2001, Resolution No. 09-6753 adopted by the Board on June 4, 2009, Resolution Nos. 10-6946 and 10-6958 adopted by the Board on June 3, 2010, and Resolution Nos. 12-7319 and 12-
The Department may issue Mizuho Supported Notes in an aggregate principal amount of up to $125,000,000, which is the maximum Principal Component attributable to the Mizuho Credit Agreement. The Department may issue Wells Fargo Supported Notes in an aggregate principal amount of up to $125,000,000, which is the maximum Principal Component attributable to the Wells Fargo Credit Agreement. See “THE CREDIT AGREEMENTS.”

**Purpose of the Commercial Paper Notes**

The proceeds of the Commercial Paper Notes will be used for lawful purposes relating to the Department, including: (i) the construction, maintenance, replacement and operation of improvements, utilities, structures, watercraft, facilities, equipment and services for Departmental purposes; (ii) the replacement of works of the Department that have been damaged or demolished by reason of fire, flood, earthquake, sabotage or acts of God or the public enemy; and (iii) any expenses or charges incurred in connection with the foregoing purposes and to reimburse the Department for expenditures for any such purposes.

**Terms of the Commercial Paper Notes**

One master Note, Series A-1 (Exempt Facility AMT), one master Note, Series A-2 (Exempt Facility AMT), one master Note, Series B-1 (Exempt Facility Non-AMT), one master Note, Series B-2 (Exempt Facility Non-AMT), one master Note, Series C-1 (Governmental Non-AMT), one master Note, Series C-2 (Governmental Non-AMT), one Master Note, Series D-1 (Taxable) and one Master Note, Series D-2 (Taxable) will be registered in the name of Cede & Co., as nominee of DTC. DTC is the securities depository for the Commercial Paper Notes. Commercial Paper Notes may be purchased in book-entry form only, in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof. Payments of principal of and interest on the Commercial Paper Notes will be paid by the Issuing and Paying Agent, to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Commercial Paper Notes. See APPENDIX C – “DTC BOOK-ENTRY SYSTEM.”

The Commercial Paper Notes shall bear interest at such rates or in such amounts (calculated on the basis of a year consisting of 365/366 days, as applicable, and actual number of days elapsed) and are payable at maturity on such dates as may be fixed by an Authorized Representative at the time of issuance thereof, but no Commercial Paper Notes shall mature or become payable on other than a Business Day or more than 270 days from the date of issuance thereof (or in any event, later than one Business Day immediately preceding the stated termination date of the Liquidity Facility (the “Termination Date”) providing liquidity for such Commercial Paper Notes), or bear interest at rates in excess of 12%. The Commercial Paper Notes may be sold at par or at such discounts as an Authorized Representative establishes at the time of sale.

The Commercial Paper Notes are not subject to redemption prior to maturity.

The purchase price payable by a Dealer for the Commercial Paper Notes is required to be made, and the amount payable by the Department at maturity will be paid, in immediately available funds.

All Holders purchasing Commercial Paper Notes for delivery on July 24, 2012 are deemed to have consented to and approved the execution and delivery of the Issuing and Paying Agent Agreement, including all amendments contained therein to the Issuing and Paying Agent Agreement entered into as of July 1, 2009, as amended and supplemented by the First Supplemental Issuing and Paying Agent Agreement entered into as of July 1, 2010, each by and between the Department and the Issuing and Paying Agent.
The Book-Entry System

The Commercial Paper Notes will be issued, from time to time, by means of the book-entry system of DTC with no physical distribution of note certificates made to the public. The book-entry system will evidence ownership of the Commercial Paper Notes with transfers of ownership effected on the records of DTC and its participants. The Commercial Paper Notes will be registered in the name of Cede & Co., as nominee of DTC. So long as DTC or its nominee is the registered Owner of all Commercial Paper Notes, all payments on the Commercial Paper Notes will be made directly to DTC or its nominee and disbursements of such payments to the DTC Participants will be the responsibility of DTC and disbursements of such payments to the Beneficial Owners of the Commercial Paper Notes will be the responsibility of the DTC Participants. NEITHER THE DEPARTMENT NOR THE ISSUING AND PAYING AGENT WILL BE RESPONSIBLE OR LIABLE FOR SUCH TRANSFERS OF PAYMENTS OR FOR MAINTAINING, SUPERVISING OR REVIEWING THE RECORDS MAINTAINED BY DTC, THE DTC PARTICIPANTS OR PERSONS ACTING THROUGH SUCH PARTICIPANTS. See APPENDIX C – “DTC BOOK-ENTRY SYSTEM.”

Discontinuation of Book-Entry System

DTC may discontinue providing its services with respect to the Commercial Paper Notes at any time by giving notice to the Issuing and Paying Agent and the Department and discharging its responsibilities with respect thereto under applicable law. The Department may terminate its participation in the book-entry system of DTC or any other Securities Depository at any time. In the event that such book-entry system is discontinued with respect to the Commercial Paper Notes, the Department will execute and deliver replacement Commercial Paper Notes in the form of registered certificates. In addition, the following provisions would apply: the principal of and interest on the Commercial Paper Notes will be payable upon surrender thereof at the principal office of the Issuing and Paying Agent in Los Angeles, California and the Commercial Paper Notes will then be transferable and exchangeable on the terms and conditions provided in the Issuing and Paying Agent Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES

Commercial Paper Notes Payable from Specified Sources

In addition to the applicable Credit Agreement, the Commercial Paper Notes are further secured by a pledge of and a lien on the Department’s Revenues on a parity with the Parity Obligations. See “— Parity and Subordinate Obligations.” “Revenues” means (a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service or watercraft owned, controlled or operated by the City in or upon or pertaining to the lands and waters, or interests therein, of said City in the Harbor District (as defined below); all tolls, charges and rentals collected by the Department; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the City for the operation of any public service utility upon lands and waters, or interests therein, of the City in the Harbor District; provided that for the avoidance of doubt user fees collected by the Department on behalf of, or required to be transmitted to, third parties pursuant to applicable law and not commingled with Revenues, shall not be deemed to be Revenues; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Issuing and Paying Agent Agreement (except interest and gain derived from the Rebate Fund established and maintained under the Issuing and Paying Agent Agreement).

The Commercial Paper Notes do not constitute an obligation of the Department other than to pay from Revenues and do not constitute an obligation of the City or any other public agency. The Commercial Paper Notes are revenue obligations and are payable as to both principal and interest from, and shall be secured by a pledge (which pledge shall be effected in the manner and to
the extent provided in the Issuing and Paying Agent Agreement) of and lien on, the Revenues on a
parity with the Parity Obligations. Neither the faith and credit nor the taxing power of the City is
pledged to the payment of the Commercial Paper Notes. The Revenues constitute a trust fund for
the security and payment of the interest on and principal of the Commercial Paper Notes and all
obligations of the Department relating to the Commercial Paper Notes under the Issuing and
Paying Agent Agreement and under the Credit Agreements and all Parity Obligations in
accordance with the terms of the Parity Revenue Bond Indentures. The Revenues are pledged to
the payment of the Commercial Paper Notes and all obligations of the Department relating to the
Commercial Paper Notes under the Issuing and Paying Agent Agreement and under the Credit
Agreements without priority or distinction of one over the other. The Revenues are also pledged to
the payment of the Parity Obligations in accordance with the terms of the Parity Revenue Bond
Indentures. The pledge of Revenues under the Issuing and Paying Agent Agreement is irrevocable
until all of the Commercial Paper Notes have been paid and retired and any related obligations of
the Department under the Credit Agreements have been satisfied in full. Notwithstanding the
Department’s covenant to fix rates, tolls and charges, rentals for leases, permits and franchises, and
compensations or fees for franchises and licenses, subject to the approval of or submission to the
City Council of the City only in those instances and in such manner as may be required under the
Charter, at levels sufficient to provide funds necessary to pay its outstanding obligations payable
from the Harbor Revenue Fund (including the Commercial Paper Notes), there can be no
assurance that there will be sufficient amounts available in the Harbor Revenue Fund at any time
for the payment of the maturing Commercial Paper Notes. The Department has no taxing power.
None of the property of the Department is subject to any mortgage or other lien for the benefit of
owners of the Commercial Paper Notes.

Harbor Revenue Fund – Flow of Funds

The Harbor Revenue Fund is a separate fund established by the Charter. Pursuant to the Charter,
all fees, charges, rentals and revenue from every source (including the Revenues) collected by the
Department in connection with its possession, management and control of the Harbor District (as defined
below) and Harbor Assets (as defined below) are deposited in the City Treasury to the credit of the
Harbor Revenue Fund. All such moneys and revenues deposited in the Harbor Revenue Fund are under
the direction and control of the Board.

Pursuant to the Charter, moneys deposited in the Harbor Revenue Fund may be appropriated or
used only for the following purposes:

(1) For the necessary expenses of operating the Department, including the operation,
promotion and maintenance of the lands and waters, and interests therein, under the possession,
management and control of the Board (the “Harbor District”) and all harbor and port improvements,
works, utilities, facilities and watercraft, owned, controlled or operated by the Department (collectively
with the Harbor District, the “Harbor Assets”) in connection with or for the promotion and
accommodation of maritime commerce, navigation and fishery (“Departmental Purposes”);

(2) For the acquisition, construction, completion and maintenance of Harbor Assets for
Departmental Purposes, and for the acquisition or taking by purchase, lease, condemnation or otherwise
of property, real or personal, or other interest necessary or convenient for Departmental Purposes;

(3) For the payment of the principal and interest of bonds issued by the Department or by
the City for Departmental Purposes;

(4) For defraying the expenses of any pension or retirement system applicable to the
employees of the Department; and

(5) For reimbursements to another department or office of the City on account of services
rendered, or materials, supplies or equipment furnished to support Departmental Purposes.
Under the Issuing and Paying Agent Agreement and the Parity Revenue Bond Indentures, the Department is obligated to pay from Revenues all Operation and Maintenance costs of the Department (including amounts reasonably required to be set aside in the contingency reserves for Operation and Maintenance costs, the payment of which is not then immediately required) as they become due and payable. “Parity Revenue Bond Indentures” means (i) the Indenture of Trust, dated as of October 1, 2005, by and between the Department and The Bank of New York Trust Company, N.A., as trustee; (ii) the Indenture of Trust, dated as August 1, 2006, by and between the Department and U.S. Bank National Association, as trustee; (iii) the Indenture of Trust, dated as July 1, 2009, by and between the Department and U.S. Bank National Association, as trustee, and (iv) the Indenture of Trust, dated as of July 1, 2011, by and between the Department and U.S. Bank National Association, as trustee. “Operation and Maintenance costs” means the necessary expenses of conducting the Department, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft, owned, controlled or operated by the City for the promotion or accommodation of maritime commerce, navigation or fishery, or used in connection therewith, but shall not include any Shortfall Advances (as defined below). See “—Parity and Subordinate Obligations” and “—Covenant as to Additional Debt” herein.

Under the Issuing and Paying Agent Agreement, the Department shall allocate the Revenues to the payment of Operation and Maintenance costs and to the payment of the Parity Obligations, including the Commercial Paper Notes, in the order and priorities set forth in each of the Parity Revenue Bond Indentures.

Pursuant to the Parity Revenue Bond Indentures the Department shall, from the moneys in the Harbor Revenue Fund, from time to time, pay all Operation and Maintenance costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance costs, the payment of which is not then immediately required) as they become due and payable. In addition, pursuant to the Parity Revenue Bond Indentures the Department shall transfer from the Harbor Revenue Fund to the applicable trustee for the bonds issued under the applicable Parity Revenue Bond Indenture (the “Parity Bonds”) for deposit into the following respective funds (established under the applicable Parity Revenue Bond Indenture), the following amounts in the following order of priority and at the following times, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit:

(a) Not later than the third Business Day (as defined in each Parity Revenue Bond Indenture) preceding each date on which the interest on the Parity Bonds shall become due and payable, that sum, if any, required to cause the aggregate amount on deposit in the applicable interest fund (established under the applicable Parity Revenue Bond Indenture) to be at least equal to the amount of interest becoming due and payable on such date on all Parity Bonds then outstanding. The Department shall also deposit in any interest account created with respect to Parity Obligations (as defined in the applicable Parity Revenue Bond Indenture), without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other interest in accordance with the provisions of the applicable indenture, resolution or contract (the “Issuing Document”).

(b) Not later than the third Business Day preceding each date on which the principal on the Parity Bonds shall become due and payable, that sum, if any, required to cause the aggregate amount on deposit in the applicable principal fund (established under the applicable Parity Revenue Bond Indenture) to equal the principal amount of the Parity Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. The Department shall also deposit in any applicable principal account created with respect to Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other principal in accordance with the provisions of the Issuing Document relating thereto.
(c) The Department shall, from the remaining moneys in the Harbor Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for Parity Bonds for deposit in: (i) the reserve funds for Parity Obligations which the Department has elected to make a part of any common reserve established under the applicable Parity Revenue Bond Indenture ("Parity Obligation Common Reserve"), an amount necessary to cause the balance on deposit in such Parity Obligation Common Reserve, including the amounts available under any common reserve security devices entered into pursuant to the terms of the applicable Parity Revenue Bond Indenture ("Parity Obligation Security Devices") to be equal to the common reserve requirement established under the applicable Parity Revenue Bond Indenture ("Parity Obligation Common Reserve Requirement"), or to reimburse the providers of the Parity Obligation Common Reserve Security Devices for any draws thereon in accordance with the written direction of the providers of the Parity Obligation Common Reserve Security Devices, including interest due on amounts drawn thereunder; provided that to the extent the Department has transferred or is currently transferring amounts necessary to reimburse the providers of the Parity Obligation Common Reserve Security Devices as described above, the amount available under the Parity Obligation Common Reserve Security Devices shall be deemed to be reinstated by the amount of the draws so reimbursed when determining the balance in the Parity Obligation Common Reserve for this purpose and (ii) in each separate reserve fund established under the applicable Parity Revenue Bond Indenture for any Parity Obligations ("Parity Obligation Separate Reserve Fund"), an amount necessary to cause the balance on deposit therein, including the amounts available under any security devices credited to such Parity Obligation Separate Reserve Fund ("Parity Obligation Separate Reserve Security Devices"), to be equal to the Parity Obligation Separate Reserve Fund requirement for such Parity Obligations ("Parity Obligation Separate Reserve Fund Requirement") or to reimburse the providers of Parity Obligation Separate Reserve Security Devices for any draws thereon in accordance with the written direction of the providers thereof, including interest due on amounts drawn thereunder in accordance with the provisions of the Issuing Documents; provided that to the extent the Department has transferred or is currently transferring amounts necessary to reimburse the providers of Parity Obligation Separate Reserve Security Devices as described above, the amount available under such Parity Obligation Separate Reserve Security Devices shall be deemed to be reinstated by the amount of the draws so reimbursed when determining the balance in such Parity Obligation Separate Reserve Fund for purposes of this provision.

No transfer of moneys for deposit to the reserve funds for Parity Obligations which the Department has elected to make a part of the Parity Obligation Common Reserve need be made if the balance in the Parity Obligation Common Reserve, including the amount available under any Parity Obligations Common Reserve Security Devices, is at least equal to the Parity Obligation Common Reserve Requirement. No transfer of moneys for deposit to any Parity Obligation Separate Reserve Fund need be made if the balance in such Parity Obligation Separate Reserve Fund, including the amount available under any Parity Obligation Separate Reserve Security Devices credited to such Parity Obligation Separate Reserve Fund, is at least equal to the Parity Obligation Separate Reserve Fund Requirement established under the Parity Revenue Bond Indenture for such Parity Obligations.

Thereafter, the Department may apply Revenues for any lawful purpose. See APPENDIX B – "SUMMARY OF CERTAIN LEGAL DOCUMENTS."

Rate Covenant

The Department has covenanted under the Issuing and Paying Agent Agreement and the Credit Agreements that it shall fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the City Council only in those instances and in such manner as may be provided in the Charter, and collect such charges, rentals, compensations and fees, such as to provide revenues, after payment of all Operation and Maintenance costs for each Fiscal Year, which will at least equal one hundred twenty-five percent (125%) of Debt Service and other amounts required to be paid by the Department under the Issuing and Paying
Agent Agreement for such Fiscal Year, and during such period the City Council shall, when its approval is required by the Charter, approve rates, tolls, charges, rentals, compensations and fees so fixed by the Department sufficient for the purposes aforesaid.

“Debt Service” means, for any period of calculation, the sum of principal of and interest on the Commercial Paper Notes, Parity Obligations and other bonds, notes, certificates and other evidences of indebtedness of the Department and bonds, notes, certificates and other evidences of indebtedness of the City payable or serviced out of the Harbor Revenue Fund (as calculated based on the reasonable assumptions of the Department) on a parity with the Commercial Paper Notes during such period.

**Covenant as to Additional Debt**

Pursuant to the Issuing and Paying Agent Agreement, except for the Commercial Paper Notes and the Bank Notes, no additional Parity Obligations will be created or incurred:

(i) unless the Net Revenues (calculated under the Issuing and Paying Agent Agreement as Revenues less Operation and Maintenance costs) for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of the resolution authorizing the issuance or execution of such Parity Obligations, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, will have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service due and payable during such twelve calendar month period; and

(ii) the Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Parity Obligations or the date of adoption by the Board of the resolution authorizing the issuance of such Parity Obligations, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in tolls, charges, rentals, compensations or fees approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of average Annual Debt Service (as defined in the Issuing and Paying Agent Agreement), including such Parity Obligations being created or incurred, but excluding Parity Obligations to be redeemed or defeased simultaneously with the issuance and with the proceeds of the Parity Obligations being created or incurred;

provided that, as to any such Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest on such Parity Obligations shall be equal to the rate per annum of the Bond Buyer Revenue Bond Index most recently published in The Bond Buyer preceding the date of calculation, or if such index is no longer in existence, a comparable index selected by the Department; and

provided further that if any series or issue of such Parity Obligations have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, principal of and interest on such series or issue shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that “average Annual Debt Service” with respect to the Commercial Paper Notes, any Bank Notes and any Liquidity Advances (as such term is defined under the applicable Credit Agreement) shall be calculated using the following assumptions (a) the principal amount with respect to the Commercial Paper Notes, the Bank Notes and any Liquidity Advances shall be aggregated and taken together and shall collectively be deemed to be outstanding in an aggregate amount of $250 million (the “Aggregated Principal Amount”), (b) principal of and interest on the Aggregated Principal Amount shall be determined for the
Fiscal Year of determination as if the principal of and interest on the Aggregated Principal Amount were being paid in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation and (c) the rate of interest on the Aggregated Principal Amount shall equal to the rate per annum of the Bond Buyer Revenue Bond Index most recently published in The Bond Buyer preceding the date of calculation, or if such index is no longer in existence, a comparable index selected by the Department; and

provided further that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount will be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of principal of and interest on such Parity Obligations shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such reserve fund was established and in each preceding year until such amount is exhausted; and

provided further that if the Parity Obligations constitute Paired Obligations, the interest rate on such bonds or contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the Department with respect to such Paired Obligations.

“Paired Obligation” means any Parity Obligations (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the term of all or any portion of the term of such Parity Obligation.

The issuance of bonds, notes or other evidences of indebtedness, or certificates of participation, for the purpose of refunding at or prior to maturity the principal of bonds, notes or other evidences of indebtedness and paying any premium upon redemption of any thereof so refunded, shall not be limited or restricted by the provisions of the preceding paragraphs if the Debt Service for such bonds, notes or other evidences of indebtedness in each year shall be lower than the Debt Service on the bonds, notes or other evidences of indebtedness being refunded.

**Parity and Subordinate Obligations**

The Department has authorized and issued certain Parity Obligations that are payable from Revenues of the Department on a parity with the payment of the Notes. “Parity Obligations” means all bonds and obligations currently outstanding or subsequently issued or incurred by the Department, the security for which includes a pledge or assignment of or a lien on the Revenues on a parity with that of the Notes. The Department’s obligations to repay Liquidity Advances under the Credit Agreements are a revenue obligations, are payable as to both principal and interest from and are secured by a pledge of and lien on revenues on a parity with Parity Obligations. The Department had $979,930,000 of Parity Obligations outstanding as of June 30, 2011 and had $940,125,000 of Parity Obligations outstanding as of June 30, 2012.

The Department may issue additional Parity Obligations in the future subject to the provisions of the Issuing and Paying Agent Agreement. No senior obligations are currently outstanding. The Issuing and Paying Agent Agreement does not prohibit the Department from issuing subordinate obligations payable out of the Harbor Revenue Fund.
THE CREDIT AGREEMENTS

The following is a summary of certain provisions of the Credit Agreements. This summary is not to be considered a full description or restatement of the material provisions of either Credit Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. The Credit Agreements are substantially similar in form and substance. Accordingly, the majority of the discussion below is generic and applies equally to each Credit Agreement. Investors should obtain and review a copy of the respective Credit Agreement in order to understand all of the terms of that document. Copies of the Credit Agreements are available from the Department. The specific provisions of a particular Credit Agreement may be different from those summarized below. Except as otherwise defined herein, capitalized terms used under this section and not otherwise defined in this Offering Memorandum have the respective meanings set forth in the respective Credit Agreement.

General

In order to provide liquidity for the payment of principal of and interest on the respective series of maturing Commercial Paper Notes, the Department and the Issuing and Paying Agent have entered into a Credit Agreement with each Bank. A Bank may enforce the Department’s obligations under the related Credit Agreement and the related Bank Note (as defined in the related Credit Agreement) pursuant to the terms of such Credit Agreement. Each Credit Agreement is scheduled to expire on July 23, 2015 (the “Stated Expiration Date”) unless extended or earlier terminated pursuant to its terms. The obligations of a Bank under the respective Credit Agreement may terminate or suspend immediately and automatically without notice as described below.

Each Bank agrees, on the terms and subject to the satisfaction of the conditions contained in its respective Credit Agreement and the related Fee Letter, to make advances from time to time comprised of a Principal Component and an Interest Component (“Liquidity Advances”) in an aggregate amount not to exceed $136,250,000, as adjusted in accordance with the terms of the Credit Agreement (the “Commitment Amount”), with such Bank’s own funds, to the Issuing and Paying Agent for the purpose of paying the principal of, and interest on, the related series of maturing Commercial Paper Notes which are Eligible Notes (i.e. Commercial Paper Notes supported by such Credit Agreement other than a Commercial Paper Note owned by, for the account of, or on behalf of, the City, the Department or any Affiliate thereof) and for which Rollover Notes (i.e. Commercial Paper Notes issued for the purpose of refunding or repaying outstanding Commercial Paper Notes) have not been issued. The amount of each Liquidity Advance shall equal the lesser of (i) the principal of, and interest on, maturing Commercial Paper Notes that are Eligible Notes and for which Rollover Notes have not been issued and (ii) the Available Amount. “Available Amount” means, at any time, the Commitment Amount less the sum of (a) the aggregate Principal Component of all Liquidity Advances, if any, outstanding at such time and (b) the aggregate Interest Component of all Liquidity Advances, if any, outstanding at such time. Until such time as the obligation of the Bank to make Liquidity Advances under the related Credit Agreement has terminated or such Bank has delivered a Non-Issuance Instruction (as defined in the related Credit Agreement) or a Notice of Termination (as defined in the related Credit Agreement) to the Issuing and Paying Agent, upon full payment of a Liquidity Advance the amount that may be advanced pursuant to such Credit Agreement shall be reinstated by the amount of the respective Principal Component and the Interest Component of such Liquidity Advance so repaid.

A Bank’s commitment to make Liquidity Advances under the applicable Credit Agreement (the “Commitment”) shall terminate upon the earliest of: (i) the close of business at such Bank’s office in New York, New York on the Stated Expiration Date (as defined in the related Credit Agreement), (ii) the close of business at such Bank’s office in New York, New York on the date of receipt by such Bank of notice from the Issuing and Paying Agent to the effect that a Substitute Liquidity Facility (as defined in...
the related Credit Agreement) in full and complete substitution for such Bank’s Credit Agreement has been issued, (iii) the close of business at such Bank’s office in New York, New York on the date of receipt by such Bank of notice from the Issuing and Paying Agent to the effect that no related Commercial Paper Notes remain Outstanding (as defined in such Credit Agreement) under such Bank’s Credit Agreement nor are any authorized to be issued under the Issuing and Paying Agent Agreement, (iv) the date such Bank’s Commitment is reduced to zero and (v) the date such Bank’s Commitment is terminated pursuant to the related Credit Agreement (the earliest of such dates, referred to as the “Termination Date”). In certain circumstances, a Bank’s obligation to make Liquidity Advances shall be automatically and immediately terminated or suspended without notice as described below.

Events of Termination

The occurrence of any of the following events shall constitute an “Event of Termination” under a Credit Agreement. Reference is made to the respective Credit Agreement for a complete listing of all Events of Termination:

(a) Any failure to reimburse the applicable Bank for payment of any principal of and/or interest on any related Liquidity Advance (other than payments of principal of and/or interest on the related Bank Note or any related Liquidity Advances due solely as a result of acceleration caused by such Bank under its respective Credit Agreement) when due; or

(b) (i) The City or the Department shall commence a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, adjustment, winding-up, dissolution, composition or other similar relief with respect to the City or the Department or the indebtedness of the City or the Department under any bankruptcy, insolvency, reorganization or other similar law for the relief of debtors now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for the City or the Department or a substantial part of the property and assets that generate or that are used to generate Revenues (as defined in the related Credit Agreement), (ii) the City or the Department shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, (iii) the City or the Department shall make a general assignment of the property and assets that generate or that are used to generate Revenues for the benefit of creditors, (iv) the City or the Department shall admit, in writing, the inability of the Department to pay its indebtedness as it becomes due, (v) the City or the Department becomes insolvent within the meaning of Section 101(32) of the Bankruptcy Code (as defined in the related Credit Agreement), or (vi) the City or the Department take any official action to authorize any of the foregoing; or

(c) Any of the following shall occur with respect to the City or the Department: (i) an involuntary case or other proceeding shall be commenced against the City or the Department, as the case may be, seeking liquidation, reorganization or other relief with respect to the City or the Department or the debts of the City or the Department under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of the property and assets that generate or that are used to generate Revenues and such case shall not be dismissed within ninety (90) days, (ii) an order for relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect or pursuant to any other State or federal laws concerning insolvency or of similar purpose that encompasses or negatively impacts the property and assets that generate or that are used to generate Revenues, (iii) an order for relief shall be entered against the Department under the federal bankruptcy laws as now or hereafter in effect or pursuant to any other State (as defined in the related Credit Agreement) or federal laws
concerning insolvency or of similar purpose or (iv) a debt moratorium, debt adjustment, debt restructuring or comparable extraordinary restriction with respect to the payment of principal or interest on the indebtedness of the City or the Department shall be declared or imposed pursuant to a finding or ruling by the Department, the City, the United States of America, the State, any instrumentality thereof or any other Governmental Authority of competent jurisdiction over the City or the Department; or

(d) If any of the following occurs:

(i)(1) the validity or enforceability of any provision of any Bond Enabling Law that impacts the Department’s ability or obligation to collect Revenues or the validity or enforceability of any Payment and Collateral Obligation, related Note, the related Bank Note or any related Liquidity Advance is contested or repudiated by duly authorized action of the Department, the City, the State or any other Governmental Authority with appropriate jurisdiction or is declared invalid or unenforceable in a proceeding subject to further appeals or (2) any Payment and Collateral Obligation, related Note, the related Bank Note or any related Liquidity Advance or any provision of any Bond Enabling Law that impacts the Department’s ability or obligation to collect Revenues is deemed to be invalid or unenforceable as a result of an authorized representative of the Department, the City, the State or any other Governmental Authority with appropriate jurisdiction taking or being permitted to take any official action or introducing or duly enacting any statute or legislation or issuing an executive order; or

(ii)(a) any provision of the Related Documents (as defined in the related Credit Agreement) relating to the Department’s ability or obligation to make payments of the principal of or interest on related Liquidity Advances, the related Commercial Paper Notes or the related Bank Note or the pledge of and lien on the Revenues to secure the payment of principal and interest on the related Commercial Paper Notes, the related Bank Note or the related Liquidity Advances (each, a “Payment and Collateral Obligation”) is ruled to be null and void by a Federal court or any other court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction in a final nonappealable order or judgment by such court or the State or any instrumentality of the State, as applicable; or (b) an authorized representative of the Department or the City publicly denies, contests or repudiates that the Department has any or further liability or obligation with respect to (1) the payment of the principal of or interest on related Liquidity Advances, the related Commercial Paper Notes or the related Bank Note or (2) any provision under the Bond Enabling Laws with respect to the payment of, or the pledge of or lien on the Revenues to secure the payment of, the related Commercial Paper Notes, related Liquidity Advances, the related Bank Note or any Payment and Collateral Obligation; or (c) any Bond Enabling Law is repealed or is ruled to be null and void by a Federal court or any court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction; or (d) a Federal court or any other court with appropriate jurisdiction or the State or any instrumentality of the State or any other Governmental Authority with appropriate jurisdiction determines in a final non-appealable order or judgment, as the case may be, that any provision of any Bond Enabling Law regarding (1) the Department’s ability or obligation to collect Revenues or to pay the Revenues directly to the Issuing and Paying Agent, which is currently U.S. Bank National Association or (2) the pledge of and lien on Revenues securing the payment of the principal of or interest on the related Commercial Paper Notes, the related Bank Note or the related Liquidity Advance, is null and void; or
(e) Each of Moody’s, S&P and Fitch either (i) withdraw or suspend a Rating (as defined in the related Credit Agreement) for credit related reasons or (ii) reduce a Rating, in the case of S&P and Fitch, below “BBB-” (or its equivalent) and in the case of Moody’s, below “Baa3” (or its equivalent); or

(f) The existence of one or more final, nonappealable judgments against the Department for the payment of money payable out of Revenues ranking senior to or on a parity with the related Liquidity Advances and not covered by insurance, the operation or result of which, individually or in the aggregate, equals or exceed $20,000,000, and such judgment, attachment or levy shall not have been vacated or discharged or remains unpaid (or, if such judgment, attachment or levy is to be paid over time, any scheduled payment is not made when due) or unbonded (by property other than any of the Revenues) for a period of sixty (60) days unless the Department is in compliance with the terms of such judgment, attachment or levy;

(g) (i) Any Parity Obligation (as defined in the related Credit Agreement) shall not be paid when and as the same shall become due and payable (whether by scheduled maturity, required redemption or acceleration); (ii) any default in payment of principal or interest shall occur under any Parity Obligation or under any indenture, agreement or other instrument pursuant to which any such Parity Obligation was issued and such default in payment shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Parity Obligation (whether or not any such Parity Obligation is in fact accelerated); or (iii) any default (other than those referred to the preceding (i) and (ii) of this subparagraph (g)) shall occur under any Parity Obligation or under any indenture, agreement or other instrument pursuant to which any such Parity Obligation was issued and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Parity Obligation (whether or not any such Parity Obligation is in fact accelerated); or

(h) Any material representation or warranty made by the Department under or in connection with the related Credit Agreement (including without limitation representations and warranties incorporated into the related Credit Agreement by reference) shall prove to be untrue in any material respect on the date as of which it was made or deemed made; or

(i) Non–payment of any amounts payable under the related Fee Letter (together with interest thereon at the Default Rate (as defined in the related Credit Agreement)) within five (5) days after the Issuing and Paying Agent and the Department have received written notice from the related Bank that the same were not paid when due; or

(j) Non–payment of any other fees or amounts payable under the related Credit Agreement (together with interest thereon at the Default Rate) within five (5) days after written notice thereof to the Department and the Issuing and Paying Agent by the Bank; or

(k) (i) The breach by the Department of any of the terms or provisions of certain specified sections of the related Credit Agreement; or

(ii) The breach by the Department of any material terms or provisions of the related Credit Agreement (other than breaches addressed in subparagraphs (a), (h), (i), (j) or (k)(i) above under this subheading “–Events of Termination”) which are not remedied within thirty (30) days after written notice thereof shall have been received by the Department and the Issuing and Paying Agent from the Bank; or
(iii) (A) The occurrence of any event of default under the Issuing and Paying Agent Agreement (which is not waived pursuant to the terms thereof); (B) the occurrence of any event of default or termination under any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise described under this subheading “–Events of Termination,” other than the failure of the Bank to make related Liquidity Advances when required by the terms and conditions of its related Credit Agreement; or (C) the occurrence of any event of default or termination under the Credit Agreement of the other Bank (which is not waived pursuant to the terms thereof); or

(l) Any lien created by the related Credit Agreement or the Issuing and Paying Agent Agreement in favor of the Issuing and Paying Agent or the Bank shall at any time for any reason (except as expressly permitted to be released by the terms of such governing document) not constitute a valid lien; or

(m) At any time, (i) the related Commercial Paper Notes shall not have been assigned a short-term rating from at least one of Moody’s, S&P or Fitch or (ii) the related Bank Note shall not have been assigned at least one rating of at least investment grade from any Rating Agency (as defined in the related Credit Agreement); or

(n) Any provision of the Charter (as defined in the related Credit Agreement) relating to the Department is repealed, reenacted, amended or otherwise modified (including, without limitation, by legislative or judicial action but excluding any such action pursuant to Charter amendments approved by the voters prior to the date of the related Credit Agreement) or any other legislation is enacted, repealed, reenacted, amended or otherwise modified that could reasonably be expected to result in a Material Adverse Effect (as defined in the related Credit Agreement); or the Department’s existence as a department of the City under the Charter shall terminate.

Remedies

If any Event of Termination (without regard to any specified grace period) shall have occurred and be continuing:

(a) **Immediate Termination.** In the case of an Event of Termination specified in subparagraphs (a), (b), (c), (d)(ii), (e), (l), (g)(i) or (g)(ii) under the subheading “–Events of Termination above, (and with respect to an Event of Termination specified in subparagraph (g)(i) or (g)(ii) under the subheading “–Events of Termination above, other than due solely as a result of (i) the failure to pay any termination payment relating to a Swap Contract (as defined in the related Credit Agreement), (ii) the failure to pay any commercial paper notes which are supported as to the payment of principal thereof by credit enhancement or liquidity facilities and/or (iii) acceleration caused by the holder of the Parity Obligation) (each, an “Immediate Termination Event”), such Bank’s Commitment shall automatically and immediately terminate without notice or demand, and thereafter such Bank shall be under no obligation to make related Liquidity Advances. Promptly upon such Bank obtaining knowledge of any related Immediate Termination Event, such Bank shall give written notice of the same to the Issuing and Paying Agent and the Department; provided that, such Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no manner affect the termination of such Bank’s Commitment and of such Bank’s obligation to make related Liquidity Advances. The Issuing and Paying Agent shall provide immediate notice of any Immediate Termination Event to the holders of the related Commercial Paper Notes.
(b) **Suspension.** During the pendency of an Event of Termination specified in subparagraph (c)(i) above under the subheading “–Events of Termination” (prior to the expiration of the ninety (90) day grace period specified in subparagraph (c)(i) above under the subheading “–Events of Termination”) or subparagraph (d)(i) above under the subheading “–Events of Termination” (each a “Suspension Event”), such Bank’s Commitment to make related Liquidity Advances shall be automatically and immediately suspended without notice or demand and thereafter such Bank shall be under no obligation to make related Liquidity Advances. Promptly upon such Bank obtaining knowledge of any related Suspension Event, such Bank shall give written notice of the same to the Issuing and Paying Agent and the Department; provided that, such Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no manner affect the suspension of such Bank’s Commitment and of such Bank’s obligation to make related Liquidity Advances. The Issuing and Paying Agent shall provide immediate notice of any Suspension Event to the holders of the related Commercial Paper Notes. If (A) a final, non-appealable judgment of a court having jurisdiction in the premises shall be entered declaring that (i) all contested provisions of all Bond Enabling Laws (as defined in the related Credit Agreement) that impact the Department’s ability or obligation to collect Revenues or the validity or enforceability of any Payment and Collateral Obligation (as defined in the related Credit Agreement), the related Note, the related Bank Note or any related Liquidity Advance, (ii) all contested provisions of any Payment and Collateral Obligation, the related Note, the related Bank Note or any related Liquidity Advance or any provision of any Bond Enabling Law that impacts the Department’s ability or obligation to collect Revenues, and/or (iii) the pledge of and lien on the Revenues to secure the payment of principal and interest on the related Commercial Paper Notes, the related Bank Note or the related Liquidity Advances, as applicable, are upheld in their entirety and/or (B) the case or other proceeding described in subparagraph (c)(i) above under the subheading “–Events of Termination” is dismissed within ninety (90) days, such Bank’s Commitment shall be automatically reinstated and the terms of such Credit Agreement will continue in full force and effect (unless such Credit Agreement shall otherwise have terminated or been suspended by its terms). If a Suspension Event becomes an Immediate Termination Event (through expiration of the ninety (90) day grace period specified above or otherwise) the provisions of subparagraph (a) above under this subheading “–Remedies” shall apply.

(c) **Ramp Down.** In the case of any related Event of Termination, the Bank may (i) deliver a non-issuance instruction to the Issuing and Paying Agent in the form attached to the related Credit Agreement (each, a “Non-Issuance Instruction”); and/or (ii) reduce the Commitment Amount (as defined in the related Credit Agreement) to an amount equal to the sum of the principal amount of the related Commercial Paper Notes then outstanding and the amount of interest that will be due and payable upon such outstanding Commercial Paper Notes at maturity.

(d) **Acceleration.** Except as provided in this subparagraph (d) under this subheading “Remedies,” a Bank shall not, upon the occurrence and continuance of a related Event of Termination, have the right or remedy to accelerate or declare any principal and interest under the related Bank Note or any related Liquidity Advance to be immediately due and payable. In the case of any Event of Termination that is also an “event of default” under any Parity Revenue Bond Indenture (as defined in the related Credit Agreement), a Bank may by notice to the Department declare all amounts payable under the related Credit Agreement and under the related Fee Letter (including but not limited to principal of and interest on all related Liquidity Advances) immediately due and payable, whereupon the same shall become immediately due and payable without demand, notice of demand, presentment, protest, notice of protest, notice of dishonor, notice of non-payment or further notice of any kind, all of which are thereby expressly
waived by the Department; provided, however, that upon the occurrence of any Event of Termination specified in subparagraphs (b) or (c) above under the subheading “–Events of Termination” that is also an “event of default” under any Parity Revenue Bond Indenture, all amounts payable under the related Credit Agreement and under the related Fee Letter (including but not limited to principal of and interest on all related Liquidity Advances) shall automatically and immediately become and be due and payable without demand, notice of demand, presentment, protest, notice of protest, notice of dishonor, notice of non-payment or further notice of any kind, all of which are thereby expressly waived by the Department.

(e) Other Remedies. In addition to, and not by way of limitation of, the rights and remedies set forth in subparagraphs (a), (b), (c) and (d) above under this subheading “–Remedies,” in the case of any related Event of Termination, the respective Bank shall have all the rights and remedies available to it at law or equity. The rights described in this subsection do not limit the exercise of the Bank’s remedies expressly provided for under any other subsection under this subheading “–Remedies.”

Substitution of Liquidity Facility

The Department has covenanted in the Issuing and Paying Agent Agreement that for so long as any Commercial Paper Note remains outstanding, it will at all times maintain in effect the Credit Agreements or another liquidity facility or combination of liquidity facilities, provided that the combined Principal Components (as defined in the Issuing and Paying Agent Agreement) under the Liquidity Facilities in effect at any one time shall not exceed $250,000,000, and provided further that the provisions described below shall have been met in connection with any liquidity facility substitution. As of the date hereof the Credit Agreements are the only Liquidity Facilities, and under each Credit Agreement the Principal Components are limited to $125,000,000.

The Department may obtain one or more Substitute Liquidity Facilities to replace one or more Liquidity Facilities then in effect under the Issuing and Paying Agent Agreement, or any portion thereof, so long as the combined Principal Components of said Substitute Liquidity Facility or Facilities does not exceed the aggregate principal amount of Commercial Paper Notes maturing on the substitution date, plus the aggregate principal amount of Commercial Paper Notes authorized but not then Outstanding under the Issuing and Paying Agent Agreement. At no time shall a Substitute Liquidity Facility replace one or more Liquidity Facilities then in effect with respect to Commercial Paper Notes that were Outstanding prior to such replacement and that will remain Outstanding following such replacement. Said Substitute Liquidity Facility shall go into effect at least one Business Day prior to the termination of the Liquidity Facility (or portion thereof) it replaces. Each Substitute Liquidity Facility shall have a commitment at least as great as the Principal Component thereunder plus interest thereon at the Maximum Rate for a period of 270 days. The following are further conditions to the Issuing and Paying Agent’s ability to accept each Substitute Liquidity Facility:

(i) the Department shall deliver written notice of the proposed substitution to the Issuing and Paying Agent, the Agent, the Banks (or other provider of the Liquidity Facility) and each dealer appointed by the Department from time to time not less than twenty (20) days prior to the substitution date;

(ii) there shall be delivered to the Department and the Issuing and Paying Agent written evidence from each rating agency then maintaining a rating on the Commercial Paper Notes at the request of the Department, that the substitution of the Liquidity Facilities then in effect will not, in and of itself, result in any rating then assigned to the Commercial Paper Notes being suspended, reduced or withdrawn;

(iii) the Issuing and Paying Agent shall deliver written notice as provided in the Issuing and Paying Agent Agreement to the holders of the Commercial Paper Notes at least fifteen days prior to the substitution date;
(iv) an opinion or opinions of counsel to any successor bank or banks shall be delivered to the effect that the Substitute Liquidity Facility is a legal, valid and binding obligation of the issuing bank or banks and is enforceable against the bank or banks in accordance with its terms;

(v) an opinion or opinions of Note Counsel shall be delivered to the effect that the substitution of the Liquidity Facilities is authorized under the Issuing and Paying Agent Agreement and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series A Notes, the Series B Notes and the Series C Notes; and

(vi) each provider of a Substitute Liquidity Facility shall be rated “A” or better by each rating agency then maintaining a rating on the Commercial Paper Notes.

THE BANKS

The statements and information in this section and incorporated by reference have been furnished by the respective Bank expressly for inclusion in this Offering Memorandum. The Department cannot and does not make any representation as to the accuracy or completeness of such information, or as to the information incorporated herein by reference, or the absence of material adverse changes in such information as of the date hereof or as of any subsequent date and assumes no responsibility therefor. The Department urges prospective investors in the Commercial Paper Notes to review the most recent information regarding the business operations and financial condition of the Banks as provided below.

Certain Information Concerning Mizuho Corporate Bank, Ltd.

The information under this heading has been provided solely by Mizuho and is believed to be reliable. This information has not been verified independently by the Department or the Dealers or the other Bank. The Department and the Dealers and the other Bank make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

Mizuho Corporate Bank, Ltd. (“Mizuho”) is a wholly-owned subsidiary of Mizuho Financial Group, Inc. (“MHFG”), a corporation organized under the laws of Japan.

MHFG is one of the largest financial institutions in the world, offering a broad range of financial services including banking, securities, trust and asset management, credit card, private banking, and venture capital through its group companies. MHFG’s principal banking subsidiaries include Mizuho, Mizuho Bank, Ltd., and Mizuho Trust & Banking Co., Ltd. Mizuho was established on April 1, 2002, following a split and merger process of The Dai Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited.

Mizuho’s New York branch (the “New York Branch”) is licensed by the Banking Department of the State of New York as a branch to transact banking business in New York. The New York Branch is subject to supervision, examination and regulation by the New York State Banking Department and the Federal Reserve Board.

The long-term credit ratings of Mizuho by Moody’s, Standard & Poor’s and Fitch are A1, A+ and A, respectively, and the short-term credit ratings of Mizuho by Moody’s, Standard & Poor’s, and Fitch are P-1, A-1 and F1, respectively.

A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organization.

Additional information, including the most recent publically issued financial reports of MHFG, and additional annual, quarterly and current reports filed with or furnished to the SEC, may be obtained without charge by each person to whom this supplement to the official statement is delivered upon the written request of any such person to Mizuho Corporate Bank, Ltd., 1251 Avenue of the Americas, New
York, New York 10020. This information is also available at www.mizuho-fg.co.jp/english/ and at the SEC’s website at www.sec.gov.

THE MIZUHO CREDIT AGREEMENT IS AN OBLIGATION OF MIZUHO AND IS NOT AN OBLIGATION OF MHFG. NO SUBSIDIARY OR AFFILIATE CONTROLLED BY MHFG, EXCEPT MIZUHO, IS OBLIGATED TO MAKE PAYMENTS UNDER THE MIZUHO CREDIT AGREEMENT.

Certain Information Concerning Wells Fargo Bank, National Association

The information under this heading has been provided solely by Wells Fargo and is believed to be reliable. This information has not been verified independently by the Department or the Dealers or the other Bank. The Department and the Dealers and the other Bank make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

Wells Fargo Bank, National Association (“Wells Fargo”) is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. Wells Fargo is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California.

Effective at 11:59 p.m. on December 31, 2008, Wells Fargo acquired Wachovia Corporation and its subsidiaries in a stock-for-stock merger transaction. Information about this merger has been included in filings made by Wells Fargo with the SEC. Copies of these filings are available free of charge on the SEC’s website at www.sec.gov or by writing to Wells Fargo’s Corporate Secretary at the address given below.

Each quarter, Wells Fargo files with the FDIC financial reports entitled “Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices,” commonly referred to as the “Call Reports.” Wells Fargo’s Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports contain the most recently filed quarterly reports of Wells Fargo, which include Wells Fargo’s total consolidated assets, total domestic and foreign deposits, and total equity capital. These Call Reports, as well as the Call Reports filed by the Bank with the FDIC after the date of this Offering Memorandum, may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at http://www.fdic.gov, or by writing to the Wells Fargo Corporate Secretary’s Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Wells Fargo Credit Agreement will be solely an obligation of Wells Fargo and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of Wells Fargo or Wells Fargo & Company will be pledged to the payment thereof. Payment of the obligations of Wells Fargo under the Wells Fargo Credit Agreement will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from Wells Fargo, and is furnished solely to provide limited introductory information regarding Wells Fargo and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.
THE PORT AND THE DEPARTMENT

The Port is located in San Pedro Bay approximately 20 miles south of downtown Los Angeles. The Department operates the Port independently from the City, using its own revenues, and administers and controls its fiscal activities, subject to oversight by the City Council. Under the City Charter, the Department is a proprietary or independent department of the City similar to the Department of Water and Power and Department of Airports.

The Port’s facilities lie within the shelter of a nine-mile long breakwater constructed by the Federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest manmade harbor in the Western Hemisphere. The Port encompasses approximately 7,500 acres of land and water which are currently being increased through dredging, landfill and reconfiguration. With its neighbor, the Port of Long Beach, the San Pedro Bay Ports comprise the fifth largest port complex in the world.

The Port is held in trust by the City for the people of the State pursuant to a series of tideland grants. These tidelands were granted to the City under the State Tidelands Trust Act by the California State Legislature in 1911 for the purpose of promoting commerce, navigation and fishery. California Assembly Bill 2769 expanded the permitted uses of tidelands to include maritime commerce, fishing, navigation and recreation and environmental activities that are water-oriented and are intended to be of statewide benefit. Certain additional requirements and restrictions are imposed by the tidelands grants, including limitations on the sale and long-term leasing of tidelands and limitations on the use of funds generated from the tidelands and tidelands trust assets. Under the tidelands trusts, funds from the tidelands may be transferred to the City’s General Fund only for tidelands trust purposes and may not be transferred to the City General Fund for general municipal purposes. All amounts in the Harbor Revenue Fund are subject to the tidelands trust use restrictions. The Department does not expect that restrictions on the use of tidelands or with respect to tidelands funds will materially adversely affect the operations or finances of the Department.

The Department is governed by a five-member Board. Commissioners are appointed to staggered five-year terms by the Mayor, subject to confirmation by the City Council. The Board makes policy for the Department, controls all Department funds, adopts the budget and sets rates in connection with permit agreements for the Department’s land facilities and services, subject, in some instances, to City Council review. The management and operations of the Department are under the direction of the Executive Director. Four Deputy Directors oversee and manage the following divisions: Development, Finance and Administration, Operations and Business Development.

The Department has three major sources of revenue: shipping revenue, a function of cargo throughput; revenue from permit agreements (agreements similar to leases) from flat permit agreements that are not dependent on cargo movement; and the smallest component, fee and royalty revenue. The Department’s primary expenses include salaries and benefits, outside and professional services and payments for services rendered by the City to the Department. In recent years, the Department’s operating expenses have increased due to increased expenditures for Port security and environmental initiatives.

The Department operates the Port as a landlord, issuing permits to Port occupants for the use of Port land, docks, wharves, transit sheds, terminals and other facilities. The Department is also landlord to various shipyards, fish markets, boat repair yards, railroads, restaurants and other similar operations. These arrangements are entered into under various permit agreements, which are similar in form to lease agreements. Under the permit agreements, the occupants agree to pay to the Department tariffs or fees established by the Department. Permittees are generally shipping or terminal companies, agents and other private firms. The Department has no direct role in managing the daily movement of cargo. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. It currently provides facilities for over 80 shipping companies and agents which
include 27 terminals and 43 miles of waterfront berthing. The inbound cargo handled at the Port and the nearby Port of Long Beach, which is adjacent to and east of the Port, is distributed throughout the Southern California region and the rest of the nation. For the purpose of establishing a comprehensive transportation corridor which facilitates a continuous movement of intermodal cargo, the San Pedro Bay Ports cooperatively established the Alameda Corridor Transportation Authority (“ACTA”), an independent joint powers authority under California law. The Port of Long Beach is a financially separate entity governed by its own Board of Harbor Commissioners and is part of the City of Long Beach.

The Port is the busiest container port in the nation with approximately 7,935,000 TEUs handled during the Fiscal Year 2010-11. The Port also leads the nation in number of revenue tons handled, value of cargo shipped, revenue and net income. The Port’s major trading partners are the “Pacific Rim” countries, including China, Japan, Taiwan, Thailand, South Korea, Vietnam, Hong Kong, Indonesia and the Philippines. China alone was the destination for approximately 34.5% of the Department’s Fiscal Year 2010-11 exports, and approximately 58.7% of the Department’s Fiscal Year 2010-11 imports.

With East Asia being the primary trade origin and destination of the ships of the terminal operators at the Port, these growing economies have historically provided the Department with a level of steady growth in its shipping revenues. Even so, the Department has included minimum guarantee provisions in all major permit agreements and seeks the extra security of letter of credit collateralization from certain occupants. Permit agreement income is derived from over 337 separate permit agreements, and provides further stabilization of the Department’s revenue stream.

The revenues of the Department depend to a large extent on shipping activity. The shipping industry as a whole and the level of shipping traffic activity at the Port specifically are dependent upon a variety of factors, including: (i) local, regional, national and international economic and trade conditions, (ii) international political conditions and hostilities, (iii) cargo security concerns, (iv) shipping industry economics, including the cost and availability of labor, fuel, vessels, containers and insurance, (v) competition among shipping companies and ports, including with respect to timing, routes and pricing, (vi) governmental regulation, including security regulations and taxes imposed on ships and cargo, as well as maintenance and environmental requirements and (vii) demand for shipments.

INFORMATION INCORPORATED BY REFERENCE

Pursuant to Rule 15c2-12 (“Rule 15c2-12”) promulgated by the SEC, the Department has entered into undertakings, for the benefit of the holders of certain series of the Department’s revenues bonds, to provide specified disclosure information from time to time. This disclosure information consists of: (i) a report (an “Annual Report”) containing specified updated disclosure information to be filed not later than 181 days after the end of the Department’s fiscal year (which currently ends June 30) with the Municipal Securities Rulemaking Board (the “MSRB”), through its Electronic Municipal Market Access system (“EMMA”); and (ii) a notice of each occurrence of certain enumerated events, to be filed with EMMA.

The Department hereby incorporates by specific reference into this Offering Memorandum the following information:

1. The last Annual Report filed by the Department, which is made available through EMMA at the following Internet address:

2. The Department’s Comprehensive Annual Financial Report for Fiscal Year 2011, which includes the Department’s audited basic financial statements as of and for the fiscal year ended June 30, 2011, and which is made available through EMMA at the following Internet address:
3. The following sections from the Official Statement with respect the Department’s Revenue Refunding Bonds, 2011 Series A (AMT) and 2011 Series B (Non-AMT):

- “THE PORT AND THE DEPARTMENT”
- “FINANCIAL INFORMATION CONCERNING THE DEPARTMENT”
- “CERTAIN INVESTMENT CONSIDERATIONS”
- “APPENDIX B — CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES”

The Department also hereby incorporates by specific reference into this Offering Memorandum any future Annual Report or Comprehensive Annual Financial Report, or similar sections of any future Official Statement, in each case made available through EMMA.

The Department also maintains a website on which it posts various financial and operating information about the Port and the Department. Investors can access this website at the following Internet address: http://www.portoflosangeles.org/idx_finance.asp

THE DEALERS

The Department has entered into dealer agreements (the “Dealer Agreements” and each, a “Dealer Agreement”) with each of the following dealers for the Commercial Paper Notes: Loop Capital Markets LLC (“Loop Capital Markets”) and Morgan Stanley & Co. LLC (“Morgan” and together with Loop Capital Markets, the “Dealers” and each a “Dealer”).

The Department may terminate each Dealer Agreement upon thirty days’ notice to the applicable dealer. Each of Loop Capital Markets and Morgan, as the case may be, may terminate their respective Dealer Agreements upon sixty days’ notice to the Department.

In the event that a Dealer delivers a notice of termination under its Dealer Agreement, the Department is required under the Dealer Agreements to use its reasonable efforts to provide for a commercial paper dealer (other than the other commercial paper dealers then serving as dealers for the Commercial Paper Notes) which is reasonably satisfactory to the Banks to assume the obligations of such Dealer under such Dealer Agreement.

Morgan Stanley, parent company of Morgan, a Dealer of the Commercial Paper Notes, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Commercial Paper Notes.

On July 24, 2008, the City filed a complaint which named a number of defendants, including Morgan. The Department is not a party to such litigation. The complaint alleges that the defendants manipulated the municipal derivatives market by various means to decrease the returns the City earned on guaranteed investment contracts and municipal derivative instruments. Neither the Department nor Morgan can predict the outcome of these lawsuits.

NO CONTINUING DISCLOSURE

The offering and sale of the Commercial Paper Notes is exempt from the rules of the SEC relating to the continuing disclosure of annual financial and operating information and certain material events, and the Department does not intend to enter into any undertaking to provide updated disclosure information to holders of the Commercial Paper Notes.
Pursuant to continuing disclosure undertakings of the Department in connection with certain of its outstanding revenue bonds, the Department is obligated to provide certain financial information, operating data relating to the Department and the Port, including audited financial statements and notice of certain enumerated events, if material, as provided by the Rule 15c2-12, by not later than 181 days following the end of each Fiscal Year (presently June 30) of the Department. Since July 1, 2009 such filings have been made with the Municipal Securities Rulemaking Board through EMMA, available at www.emma.msrb.org. Except for information included by specific reference, nothing contained on that website is incorporated in this Offering Memorandum.

RATINGS

The following table sets forth (i) the ratings assigned to each Bank, (ii) the ratings assigned to the Mizuho Supported Notes based on the support of the Mizuho Credit Agreement, (ii) the ratings assigned to the Wells Fargo Supported Notes based on the support of the Wells Fargo Credit Agreement and (iii) the underlying/unenhanced ratings assigned to the Department’s outstanding parity indebtedness by Moody’s Investors Service (“Moody’s”), Standard & Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business (“S&P”), and Fitch Ratings (“Fitch”).

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<th>Moody’s</th>
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<td>Mizuho Supported Notes</td>
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<td>Wells Fargo Supported Notes</td>
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<td>Parity Bonds</td>
<td>AA2</td>
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Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. In connection with the reoffering of the Commercial Paper Notes, the Commission furnished to such rating agencies certain information regarding the Commercial Paper Notes and the Department. In addition, each Bank furnished certain information to such rating agencies regarding such Bank and its related Credit Agreement. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Commercial Paper Notes. The Department undertakes no responsibility to oppose any such change or withdrawal. The above ratings are not recommendations to buy, sell or hold the Commercial Paper Notes.

FORWARD-LOOKING STATEMENTS

The statements contained in this Offering Memorandum and in the Appendices hereto, and in any other information provided by the Department, that are not purely historical, are forward-looking statements, including statements regarding the Department’s expectations, hopes, intentions or strategies regarding the future. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Offering Memorandum are based on the expectations, hopes, intentions or strategies considered and assumed by the Department as of the date hereof, and the Department assumes no obligation to update any such forward-looking statements. It is important to note that the Department’s actual results could differ materially from those in such forward-looking statements.
TAX MATTERS

Tax Exempt Notes

Series A Notes

In the opinion of Note Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series A Notes, when issued in accordance with a Tax and Nonarbitrage Certificate and the Issuing and Paying Agent Agreement, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the federal tax status of interest on any Series A Note for any period that such Series A Note is held by a “substantial user” of the facilities financed or refinanced by the Series A Notes or by a “related person” to such a substantial user within the meaning of Section 147(a) of the Code. Note Counsel observes that interest on the Series A Notes will be a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Note Counsel is further of the opinion that interest on the Series A Notes is exempt from personal income taxes of the State of California under present state law.

Series B Notes

In the opinion of Note Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Notes, when issued in accordance with a Tax and Nonarbitrage Certificate and the Issuing and Paying Agent Agreement, will be excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the federal tax status of interest on any Series B Note for any period that such Series B Note is held by a “substantial user” of the facilities financed or refinanced by the Series B Notes or by a “related person” to such a substantial user within the meaning of Section 147(a) of the Code. Pursuant to provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”), interest on tax-exempt obligations that would be treated as a specific preference item for purposes of the federal alternative minimum tax provisions will not be subject to such treatment if initially issued after December 31, 2008 and before January 1, 2011 and either finance new projects costs or refund obligations originally issued after December 31, 2003. Any Commercial Paper Notes that qualify for such provisions of the ARRA will be issued as Series B Notes. Thus, Note Counsel observes that interest on the Series B Notes will not be a specific preference item for purposes of the federal individual and corporate alternative minimum taxes but is included in the adjusted current earnings when calculating corporate alternative minimum taxable income. Note Counsel is further of the opinion that interest on the Series B Notes is exempt from personal income taxes of the State of California under present state law.

Series C Notes

In the opinion of Note Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series C Notes, when issued in accordance with a Tax and Nonarbitrage Certificate and the Issuing and Paying Agent Agreement, will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Note Counsel observes that interest on the Series C Notes will not be a specific preference item for purposes of the federal individual and corporate alternative minimum taxes but is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Note Counsel is further of the opinion that interest on the Series C Notes is exempt from personal income taxes of the State of California under present state law.

As new Tax-Exempt Notes are issued from time to time, Note Counsel expect to deliver an opinion substantially in the form of APPENDIX A hereto. The opinion of Note Counsel described herein shall be deemed in effect on each Business Day during which a Tax-Exempt Note is outstanding to the
extent that (i) there is no change in applicable existing state or federal law, (ii) the Issuing and Paying Agent Agreement, in the form in effect on the date of such opinion, remains in full force and effect and has not been materially amended or supplemented, (iii) the representations and covenants of the parties contained in the Issuing and Paying Agent Agreement, the Dealer Agreements, a Tax and Nonarbitrage Certificate and other documents pertaining to the Tax-Exempt Notes, and certain certificates dated the date of an opinion of Note Counsel and delivered by authorized officers of the Department remain true and accurate and are complied with in all material respects, (iv) the Department continues to comply with its covenants contained in such documents and certificates, and (v) no litigation affecting the issuance or validity of the Tax-Exempt Notes is pending at the time of delivery of any such Tax-Exempt Notes. Note Counsel undertakes no obligation to determine, at any time, whether the conditions described in (i) through (v) of the preceding sentence have been met.

In rendering the opinions regarding the federal income tax treatment of interest on the Tax-Exempt Notes above, Note Counsel will rely upon representations and covenants in the Issuing and Paying Agent Agreement and Tax and Nonarbitrage Certificate concerning the use of the property financed or refinanced with Tax-Exempt Note proceeds, the investment and use of Tax-Exempt Note proceeds and the rebate to the federal government of certain earnings thereon and representations and covenants to be contained in a Tax and Nonarbitrage Certificate executed and delivered by the Department in connection with each new issuance of Tax-Exempt Notes. In addition, Note Counsel has assumed that all such representations are true and correct and that the Department will comply with such covenants. Note Counsel has expressed no opinion with respect to the exclusion of the interest on the Tax-Exempt Notes from gross income under Section 103 of the Code in the event that any of such representations are untrue or the Department fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Note Counsel. In addition, legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Tax-Exempt Notes for federal or state income tax purposes, and thus on the value or marketability of the Tax-Exempt Notes. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Commercial Paper Notes from gross income for federal income tax purposes, or otherwise. It is not possible to predict whether any such legislation or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Tax-Exempt Notes may occur. Prospective purchasers of the Commercial Paper Notes should consult their own tax advisors regarding the impact of any change in law on the Tax-Exempt Notes.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Note Counsel expresses no opinion as to any collateral tax consequences and, accordingly, prospective purchasers of the Tax-Exempt Notes should consult their tax advisors as to the applicability of any such collateral consequences.

Interest paid on tax-exempt obligations such as the Tax-Exempt Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. In addition, interest on the Tax-Exempt Notes may be subject to backup withholding if such interest is paid to a beneficial owner that (a) fails to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or (b) has been identified by the IRS as being subject to backup withholding.
Taxable Notes

Interest on the Taxable Notes is fully taxable for federal income tax purposes. Except as stated in the preceding sentence, Note Counsel will not render an opinion with regard to federal income tax consequences with respect to the Taxable Notes. Each owner of the Taxable Notes should seek advice based on such owner’s particular circumstances from an independent tax advisor. Note Counsel is of the opinion that interest on the Taxable Notes is exempt from personal income taxes of the State of California under present state law.

CERTAIN LEGAL MATTERS

The form of approving legal opinion to be delivered by Nixon Peabody LLP, Note Counsel, when Commercial Paper Notes are issued is set forth in APPENDIX A hereto. The approving legal opinion that Nixon Peabody, Note Counsel, will actually deliver at the time of the issuance of any Commercial Paper Notes will only include provisions that apply to the Series of Commercial Paper Notes being issued at the time of the delivery of the opinion. See also “TAX MATTERS.” Certain legal matters in connection with the Commercial Paper Notes will be passed upon for the Department by the City Attorney and for the Bank by Chapman and Cutler LLP, Chicago, Illinois.

LITIGATION REGARDING THE COMMERCIAL PAPER NOTES

There is no action, suit or proceeding known to be presently pending or threatened against the Department seeking to restrain or enjoin the execution, issuance or delivery of the Commercial Paper Notes or any of the documents related thereto or in any way contesting or affecting the validity of the actions of the Department taken with respect to the issuance or delivery thereof.

FINANCIAL ADVISOR

Frasca & Associates, L.L.C. (the “Financial Advisor”) has assisted the Department with various matters relating to the planning, structuring and delivery of the Commercial Paper Notes. The Financial Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Offering Memorandum. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

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MISCELLANEOUS

The covenants and agreements of the Department for the benefit of the Owners of the Commercial Paper Notes are set forth in the Issuing and Paying Agent Agreement and reference is made to the Issuing and Paying Agent Agreement for a statement of the rights of the Owners of the Commercial Paper Notes and the covenants and obligations of the Department. All references to the Commercial Paper Notes are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Issuing and Paying Agent Agreement.

Neither this Offering Memorandum, nor any statements which may have been made orally or in writing, are to be construed as a contract with the Owners of any of the Commercial Paper Notes.

The Board of Harbor Commissioners has authorized the execution and delivery of this Offering Memorandum by its Executive Director.

/s/ Karl K.Y. Pan
Karl K.Y. Pan, Chief Financial Officer
Harbor Department
of the City of Los Angeles
APPENDIX A

FORM OF OPINION OF NIXON PEABODY LLP

[Closing Date]

Harbor Department of the City of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90731

Re: Harbor Department of the City of Los Angeles Commercial Paper Notes, Series A-1 and A-2 (Exempt Facility AMT), Series B-1 and B-2 (Exempt Facility Non-AMT), Series C-1 and C-2 (Governmental Non-AMT) and Series D-1 and D-2 (Taxable)

Ladies and Gentlemen:

We have acted as Note Counsel to the Harbor Department of the City of Los Angeles (the “Department”) in connection with the authorization and issuance from time to time by the Department of its Commercial Paper Notes, Series A-1 and A-2 (Exempt Facility AMT) (the “Series A Notes”), Series B-1 and B-2 (Exempt Facility Non-AMT) (the “Series B Notes”), Series C-1 and C-2 (Governmental Non-AMT) (the “Series C Notes”) and Series D-1 and D-2 (Taxable) (the “Series D Notes”) and, together with the Series A Notes, the Series B Notes and the Series C Notes (the “Commercial Paper Notes”). The Series A Notes, Series B Notes and Series C Notes are hereinafter referred to as the “Tax-Exempt Notes.” The Commercial Paper Notes are authorized to be issued by the Department pursuant to Resolution No. 6021 adopted by the Board of Harbor Commissioners of the City of Los Angeles (the “Board”) on August 22, 2001, Resolution No. 09-6753 adopted by the Board on June 4, 2009, Resolution Nos. 10-6946 and 10-6958 adopted by the Board on June 3, 2010, Resolution Nos. 12-7319 and 12-7320 adopted by the Board on June 7, 2012 (collectively, the “Resolutions”), and the Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2012 (the “Issuing and Paying Agent Agreement”), between the Department and U.S. Bank National Association, as issuing and paying agent (the “Issuing and Paying Agent”). All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Issuing and Paying Agent Agreement.

As Note Counsel, we have examined originals or copies of the Commercial Paper Notes, the Resolutions, the Issuing and Paying Agent Agreement, the Line of Credit Agreement, dated as of July 1, 2012, among Mizuho Corporate Bank, Ltd., acting through its New York Branch, the Department and the Issuing and Paying Agent (the “Mizuho Credit Agreement”), the Line of Credit Agreement, dated as of July 1, 2012, among Wells Fargo Bank, National Association, the Department and the Issuing and Paying Agent (the “Wells Fargo Credit Agreement”), the Dealer Agreement, dated as of July 1, 2009, by and between the Department and Morgan Stanley & Co. LLC (as amended, the “Morgan Stanley Dealer Agreement”), and the Dealer Agreement, dated as of July 1, 2009, by and between the Department and Loop Capital Markets, LLC (as amended the “Loop Capital Dealer Agreement”). Our services as Note Counsel were limited to an examination of the Commercial Paper Notes, the Resolutions and the Issuing and Paying Agent Agreement and to the rendering of the opinions set forth below. In this connection, we have also relied on such certificates of officers of the Department, opinions of counsel to the Department,
opinions of counsel to the Issuing and Paying Agent, and others to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties thereto other than the Department.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications set forth herein, we are of the following opinions:

1. The Issuing and Paying Agent Agreement has been duly authorized, executed and delivered by the Department and constitutes the legally valid and binding obligation of the Department, enforceable against the Department in accordance with its terms.

2. The Commercial Paper Notes, once issued in duly authorized form, executed by authorized officials of the Department and countersigned and authenticated by the Issuing and Paying Agent, when delivered to and paid for by such purchasers thereof, will constitute the legally valid and binding obligations of the Department, payable solely from those sources of funds identified in the Issuing and Paying Agent Agreement.

3. [Under existing statutes, regulations, rulings and court decisions, the interest on the Tax-Exempt Notes is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to the federal tax status of interest on any Series A Notes or the Series B Notes for any period that such Series A Note or Series B Note is held by a “substantial user” of the facilities financed or refinanced by the Series A Notes or the Series B Notes, as applicable, or by a “related person” within the meaning of Section 147(a) of the Code. Interest on the Series A Notes will be a specific preference item for purposes of federal individual and corporate alternative minimum taxes. Pursuant to provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”), interest on tax-exempt obligations that would be treated as a specific preference item for purposes of the federal alternative minimum tax provisions will not be subject to such treatment if initially issued after December 31, 2008 and before January 1, 2011 and either finance new projects costs or refund obligations originally issued after December 31, 2003. Any notes that qualify for such provisions of the ARRA will be issued as Series B Notes. Thus, Note Counsel is of the opinion that interest on the Series B Notes and the Series C Notes will not be a specific preference item for purposes of the federal individual and corporate alternative minimum taxes but is included in the adjusted current earnings when calculating corporate alternative minimum taxable income.]1

[In rendering the opinion in paragraph 3 above, we have relied upon representations and covenants of the Department in the Issuing and Paying Agent Agreement and a Tax and Nonarbitrage Certificate concerning the use of the facilities financed or refinanced with the proceeds of the Tax-Exempt Notes, the investment and use of the proceeds of such Tax-Exempt Notes and the rebate, to the extent required, to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Department will comply with all such covenants. Except as stated above, we express no other opinion as to any federal tax consequences of the ownership of, receipt of interest on, or disposition of the Tax-Exempt Notes.]1

1 This form of opinion includes opinions concerning all Series of Notes. The opinion that Nixon Peabody LLP will actually deliver in connection with the issuance of any Series of Notes will only include provisions that apply and relate to that Series of Notes.
4. Interest on the Commercial Paper Notes is exempt from personal income taxes of the State of California under present state law.

We express no opinion with respect to the federal income tax treatment of interest on the Series D Notes.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that rights and obligations under the Commercial Paper Notes and the Issuing and Paying Agent Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in applicable law regarding legal remedies against the Department. We express no responsibility for the accuracy, completeness or fairness of any offering material relating to the Commercial Paper Notes and express no opinion with respect thereto in this letter or otherwise.

You may rely on this opinion as the Commercial Paper Notes are, from time to time, issued after the date hereof to the extent that, at the date of issuance of such Commercial Paper Notes, (i) there is no change or proposed change in law relevant to the validity of the federal tax exemption of interest with respect to the Tax-Exempt Notes from that in effect on the date hereof, (ii) there is no change or proposed change in law relevant to the validity of the state tax exemption of interest with the respect to the Commercial Paper Notes, (iii) the representations and warranties contained in the Issuing and Paying Agent Agreement and certificates executed and delivered by the Department (and supplements and additions thereto) remain true and correct, and (iv) the Department continues to comply with their respective covenants contained in such documents and certificates.

Except as stated in opinions 3 and 4 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Commercial Paper Notes. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Commercial Paper Notes, or the interest with respect thereto, if any action is taken with respect to the Commercial Paper Notes or the proceeds thereof upon the advice or approval of other counsel.

Respectfully submitted,
APPENDIX B

SUMMARY OF CERTAIN LEGAL DOCUMENTS

The following is a summary of certain definitions and provisions of the Issuing and Paying Agent Agreement. This summary does not purport to be comprehensive and is qualified in its entirety by reference to the Issuing and Paying Agent Agreement for a complete statement of the provisions thereof.

DEFINITIONS

The following are definitions of terms used in this summary. Such definitions also apply to terms used in the Offering Memorandum, to the extent such terms are not otherwise defined in the Offering Memorandum. Terms used in this summary but not defined herein have the meanings specified in the Issuing and Paying Agent Agreement or the Credit Agreement.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest payable on all Notes and Parity Obligations in such Fiscal Year, (2) the principal amount or accreted value of all Outstanding Notes and serial Parity Obligations maturing by their terms in such Fiscal Year, and (3) the principal amount or accreted value of all term Parity Obligations required to be redeemed or paid in such Fiscal Year.

“Authorized Representative” means with respect to the Department, its Executive Director, Chief Financial Officer, Director of Debt & Treasury Management Division or any other person designated as an Authorized Representative of the Department by a Certificate of the Department signed by its Executive Director and filed with the Issuing and Paying Agent.

“Bank” means any provider of a Liquidity Facility in support of the Commercial Paper Notes, and initially (a) with respect to the Mizuho Supported Notes, Mizuho Corporate Bank, Ltd., acting through its New York Branch and (b) with respect to the Wells Fargo Supported Notes, Wells Fargo Bank, National Association.

“Bank Notes” means any Notes delivered by the Department to a Bank in substantially the form attached to the applicable Liquidity Facility.

“Board” means the Board of Harbor Commissioners of the City of Los Angeles.

“Bond Enabling Laws” means (i) the Resolutions, (ii) Section 609 of the Charter, (iii) the Procedural Ordinance and (iv) any other bond enabling laws that become effective after July 1, 2011.

“Book-Entry Notes” means Commercial Paper Notes issued in book-entry only form in accordance with the Issuing and Paying Agent Agreement.

“Business Day” means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in Los Angeles, California or on which commercial banks located in the city in which the office of the Bank at which notice of borrowings are to be delivered are authorized or required by law to close.

“Certificate of the Department” means a written instrument signed on behalf of the Department by an Authorized Representative. Any such instrument so signed will be deemed issued and effective for
all purposes when a copy thereof is electronically transmitted by computer, telecopier, telex or similar method or mailed by regular or registered mail.

“Certificated Notes” means Commercial Paper Notes issued in certificated form.

“Charter” means the Charter of the City of Los Angeles, effective on July 1, 2000, as the same may be amended or supplemented from time to time.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Commercial Paper Note” or “CP Note” means a commercial paper note, and any subseries thereof, in one of the forms attached to the Issuing and Paying Agent Agreement. Commercial Paper Notes, the interest on which is to be excluded from gross income under Section 103 of the Code, if subject to the alternative minimum tax under the Code will be designated “Commercial Paper Notes, Series A (Exempt Facility AMT).” Commercial Paper Notes, the interest on which is to be excluded from gross income under Section 103 of the Code, if not subject to the alternative minimum tax under the Code will be designated “Series B (Exempt Facility Non-AMT)” or “Commercial Paper Notes, Series C (Governmental Non-AMT).” Commercial Paper Notes, the interest on which is not to be excluded from gross income under Section 103 of the Code will be designated “Commercial Paper Notes, Series D (Taxable).”

“Commitment” means the obligation of a Bank to make Liquidity Advances under the applicable Credit Agreement.

“Costs of Issuance” means all the costs of preparing, issuing and delivering the Commercial Paper Notes and other costs related to the financing provided thereby, including, but not limited to, all printing and document preparation expenses in connection with this Agreement, the Commercial Paper Notes and any offering materials pertaining to the Commercial Paper Notes; rating agency fees; CUSIP Service Bureau charges; consultant fees; market study fees; title insurance and appraisal fees; legal fees and expenses of counsel; any computer and other expenses incurred in connection with the issuance of the Commercial Paper Notes; fees and expenses of any Bank and any counsel to any Bank; the fees and expenses of the Issuing and Paying Agent (including without limitation, origination fees and first annual fees payable in advance); and other costs, fees and expenses incurred in connection with the execution and delivery of the Commercial Paper Notes or the implementation of the financing provided thereby, to the extent such fees and expenses are approved by an Authorized Representative.”

“Costs of Issuance Account” means the account of that name established pursuant to the Issuing and Paying Agent Agreement.

“Council” means the City Council of the City of Los Angeles.

“Credit Agreements” means, collectively, the Mizuho Credit Agreement and the Wells Fargo Credit Agreement.

“Dealers” means the commercial paper dealers appointed by the Department from time to time for the Commercial Paper Notes.

“Debt Service” means, for any period of calculation, the sum of principal of and interest on the Notes, Parity Obligations and other bonds, notes, certificates and other evidences of indebtedness of the
Department and bonds, notes, certificates and other evidences of indebtedness of the City payable or serviced out of the Harbor Revenue Fund (as calculated based on the reasonable assumptions of the Department) on a parity with the Notes during such period.

“Department” means the Harbor Department of the City of Los Angeles, a department of the City of Los Angeles.

“Effective Date” means July 24, 2012.

“Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated as the official fiscal year period of the Department.

“Harbor District” has the meaning set forth in the Charter.

“Harbor Revenue Fund” means the Harbor Revenue Fund established pursuant to Section 656(a) of the Charter.

“Holder” or “Noteholder” means the registered owner of a Commercial Paper Note.

“Independent Certified Public Account” means any firm of certified public accountants appointed by the Department, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the Department, and who, or each of whom:

- is in fact independent and not under control of the Department;
- does not have any substantial interest, direct or indirect, with the Department; and
- is not connected with the Department as an officer or employee of the Department, but who may be regularly retained to make reports to the Department.

“Issuing and Paying Agent” means U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America.

“Issuing and Paying Agent Agreement” means the Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2012, between the Department and the Issuing and Paying Agent.

“Liquidity Facility” means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement pursuant to which a Bank is required to pay, or to provide funds for the payment of, the principal of or interest on the Commercial Paper Notes, and initially (a) with respect to the Mizuho Supported Notes, the Mizuho Credit Agreement and (b) with respect to the Wells Fargo Supported Notes, the Wells Fargo Credit Agreement.

“Maximum Rate” means, on any day, twelve percent (12%) per annum calculated on the basis of a stated interest rate. If Commercial Paper Notes are sold at a discount with or without a stated interest rate, the Maximum Rate on any day means the yield to the purchaser of an effective rate of twelve percent (12%). The Maximum Rate may be increased and will be decreased as is permitted or required by applicable law and each Liquidity Facility.
“Mizuho Credit Agreement” means the Line of Credit Agreement, dated as of July 1, 2012, among the Department, the Issuing and Paying Agent and the Mizuho Corporate Bank, Ltd., acting through its New York Branch, as the same may be amended and supplemented from time to time in accordance with the terms thereof.

“Mizuho Supported Notes” means the Commercial Paper Notes designated as “Series A-1,” “Series B-1,” “Series C-1” and “Series D-1.”

“Net Revenues” means Revenues less Operation and Maintenance costs.

“Non-Issuance Instruction” has the meaning assigned to such term in the applicable Credit Agreement.

“Note Counsel” means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the Department.

“Notes” means the Commercial Paper Notes and the Bank Notes authorized to be issued and at any time outstanding pursuant to the Issuing and Paying Agent Agreement or any agreement supplemental thereto or any Liquidity Facility, as applicable.

“Operation and Maintenance” means the necessary expenses of conducting the Department, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft, owned, controlled or operated by the City for the promotion or accommodation of maritime commerce, navigation or fishery, or used in connection therewith, but will not include any Shortfall Advances, as defined in the Official Statement, dated January 29, 1999, with respect to the Alameda Corridor Transportation Authority Taxable Senior Lien Revenue Bonds Series 1999C and Taxable Subordinate Lien Revenue Bonds Series 1999D as the payments by that name are more particularly defined and described in the Alameda Corridor Use and Operating Agreement, dated as of October 12, 1998, by and among the Department and the other parties thereto, as amended by any amendments and supplements thereto, which the Department is obligated to pay to the Alameda Corridor Transportation Authority pursuant to such Alameda Corridor Use and Operating Agreement.

“Outstanding” when used as of a particular time with reference to Commercial Paper Notes, means all Commercial Paper Notes delivered under the Issuing and Paying Agent Agreement except:

(a) Commercial Paper Notes cancelled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; and

(b) Commercial Paper Notes in lieu of or in substitution for which replacement Commercial Paper Notes have been issued by the Department and delivered by the Issuing and Paying Agent under the Issuing and Paying Agent Agreement.

“Paired Obligation” means any Parity Obligations (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the term of all or any portion of the term of such Parity Obligation.
“Parity Obligations” means all bonds and obligations currently outstanding or hereafter issued or incurred by the Department, the security for which includes a pledge or assignment of or a lien on the Revenues on a parity with that of the Notes, which on the date of the Issuing and Paying Agent Agreement, consist of the Department’s (i) $63,250,000 aggregate principal amount of Refunding Revenue Bonds, 2002 Series A (AMT); (ii) $530,840,000 aggregate principal amount of Refunding Revenue Bonds, 2005 Series A, 2005 Series B, 2005 Series C-1, 2006 Series A, 2006 Series B and 2006 Series C; (iii) $111,300,000 aggregate principal amount of Refunding Revenue Bonds, 2006 Series D (AMT); (iv) $430,160,000 aggregate principal amount of Revenue Bonds, 2009 Series A and 2009 Series B and Refunding Revenue Bonds, 2009 Series C; and (v) 91,750,000 aggregate principal amount of Refunding Revenue Bonds, 2011 Series A and 2011 Series B.

“Parity Revenue Bond Indentures” means (i) the Indenture of Trust, dated as of July 1, 2001, by and between the Department and BNY Western Trust Company, as trustee; (ii) the Indenture of Trust, dated as of October 1, 2005, by and between the Department and The Bank of New York Trust Company, N.A., as trustee; (iii) the Indenture of Trust, dated as August 1, 2006, by and between the Department and U.S. Bank National Association, as trustee, (iv) the Indenture of Trust, dated as July 1, 2009, by and between the Department and U.S. Bank National Association, as trustee, and (v) the Indenture of Trust, dated as of July 1, 2011, by and between the Department and U.S. Bank National Association, as trustee.

“Principal Component” means, with respect to any Liquidity Facility, the dollar amount that may be drawn on such Liquidity Facility for payment of the unpaid principal amount of Commercial Paper Notes on their stated maturity dates. The Principal Component will be deemed to be $125 million under each of the Mizuho Credit Agreement and the Wells Fargo Credit Agreement.

“Procedural Ordinance” means the Charter implementation ordinance related to the procedures for issuance and sale of revenue bonds and other obligations by the Department and amending Sections 11.28.1 through 11.28.9 of Division 11, Chapter 1, Article 6.5 of the Los Angeles Administrative Code to conform the procedures to the applicable Charter sections.

“Program” means Series A Notes, Series B Notes, Series C Notes or Series D Notes issued during an 18-month period beginning on their “date of issue” (defined below) directly to finance capital expenditures, as well as Series A Notes, Series B Notes, Series C Notes or Series D Notes issued during such 18-month period (or, in certain cases, at the option of the Department, after such period to refinance, directly or through a series of refinancings, Series A Notes, Series B Notes, Series C Notes or Series D Notes originally issued directly to finance capital expenditures, and constituting a single issue under the Code. The date of issue of a Program is the first date on which the aggregate amount of Series A Notes, Series B Notes, Series C Notes or Series D Notes under the Program exceeds the lesser of $50,000 or 5% of the aggregate issue price of the amount of Series A Notes, Series B Notes, Series C Notes or Series D Notes.

“Rating Agency” has the meaning assigned to such term in the applicable Credit Agreement.

“Rebate Account” means that fund established under the Issuing and Paying Agent Agreement.

“Revenues” means:

(a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service, or watercraft, owned, controlled or operated by the City of Los Angeles in or upon or pertaining to the lands and waters, or interests therein, of said City in the Harbor District; all tolls, charges and rentals collected by the Harbor Department; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the City for the operation of any public service utility upon lands and waters, or interests therein, of the City in the Harbor District; provided that for the avoidance of doubt user fees collected by the Department on behalf of, or required to be transmitted to, third parties pursuant to applicable law and not commingled with Revenues, will not be deemed to be Revenues; and

(b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Issuing and Paying Agent Agreement (except interest and gain derived from the Rebate Fund established and maintained thereunder).

“Series A Notes” means, collectively, Commercial Paper Notes, Series A-1 (Exempt Facility AMT), and Commercial Paper Notes, Series A-2 (Exempt Facility AMT).

“Series B Notes” means collectively, Commercial Paper Notes, Series B-1 (Exempt Facility Non-AMT), and Commercial Paper Notes, Series B-2 (Exempt Facility Non-AMT).

“Series C Notes” means, collectively, Commercial Paper Notes, Series C-1 (Governmental Non-AMT), and Commercial Paper Notes, Series C-2 (Governmental Non-AMT).

“Series D Notes” means, collectively, Commercial Paper Notes, Series D-1 (Taxable), and Commercial Paper Notes, Series D-2 (Taxable).

“Substitute Liquidity Facility” means each Liquidity Facility provided by a Bank or Banks in accordance with the Issuing and Paying Agent Agreement.

“Tax Certificate” means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the Commercial Paper Notes, executed by the Department on the date of issuance of the initial delivery of Commercial Paper Notes, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented.

“Termination Date” means, with respect to any Liquidity Facility, the stated termination date of such Liquidity Facility.

“Wells Fargo Credit Agreement” means the Line of Credit Agreement, dated as of July 1, 2012, among the Department, the Issuing and Paying Agent and the Wells Fargo Bank, National Association, as the same may be amended and supplemented from time to time in accordance with the terms thereof.

THE ISSUING AND PAYING AGENT AGREEMENT

General

Commercial Paper Notes are authorized to be issued from time to time in an aggregate principal amount such that the aggregate principal amount outstanding at any one time does not exceed the lesser of (a) $250,000,000 and (b) the combined Principal Components under the then-effective Liquidity Facilities. The Commercial Paper Notes will be issued in four subseries designated as Series A-1, Series B-1, Series C-1 and Series D-1 to evidence the Mizuho Supported Notes, and four subseries designated as Series A-2, Series B-2, Series C-2 and Series D-2 to evidence the Wells Fargo Supported Notes. The aggregate amount of the Mizuho Supported Notes may not exceed the Principal Component of the Mizuho Credit Agreement. The aggregate amount of the Wells Fargo Supported Notes may not exceed the Principal Component of the Wells Fargo Credit Agreement. Bank Notes are authorized to be issued from time to time in an aggregate principal amount such that the aggregate principal amount outstanding at any one time does not exceed the amount specified in the applicable Liquidity Facility.

Issuance and Sale of Notes

Issuance and Sale of Commercial Paper Notes. Whenever an Authorized Representative determines that the Department will sell or issue Commercial Paper Notes, such Authorized Representative will deliver a Certificate of the Department to the Issuing and Paying Agent, which Certificate will be in form attached to the Issuing and Paying Agent Agreement, prescribing the terms of such Commercial Paper Notes and the sale or issuance thereof or the amount of such indebtedness, all pursuant to the Issuing and Paying Agent Agreement, identifying the Liquidity Facility that will provide liquidity for such Commercial Paper Notes, and representing (i) that all action on the part of the Department necessary for the valid issuance of the Commercial Paper Notes then to be issued, has been taken, (ii) that all provisions of California and federal law necessary for the valid issuance of such Commercial Paper Notes and the sale or issuance thereof or the amount of such indebtedness, all pursuant to the Issuing and Paying Agent Agreement, identifying the Liquidity Facility that will provide liquidity for such Commercial Paper Notes, and representing (i) that all action on the part of the Department necessary for the valid issuance of the Commercial Paper Notes then to be issued, has been taken, (ii) that all provisions of California and federal law necessary for the valid issuance of such Commercial Paper Notes with provision, as applicable, for original issue discount and interest excludable from gross income for purposes of federal income taxes and exempt from State of California personal income taxes have been complied with, (iii) that such Commercial Paper Notes in the hands of the Holders thereof will be valid and enforceable obligations of the Department according to their terms, and (iv) excepting the Series D Notes, that all covenants of the Department necessary for original issue discount on Commercial Paper Notes or stated interest on the Commercial Paper Notes, as the case may be, and interest on the Bank Notes, to be excludable from gross income for purposes of federal income taxes and exempt from State of California personal income taxes have been complied with. Each such Certificate of the Department will also certify that:

(a) no Event of Default under the Issuing and Paying Agent Agreement has occurred and is continuing as of the date of such Certificate;

(b) the Department is in compliance with the provisions of the Issuing and Paying Agent Agreement and the covenants set forth therein of the date of such Certificate;

(c) on the Effective Date, the Department received a report of an Independent Financial Consultant evidencing the satisfaction of the requirements of the Parity Revenue Bond Indentures and the Issuing and Paying Agent Agreement for the issuance of additional Parity Obligations (which report will be in substantially the form attached to the Issuing and Paying Agent Agreement);

(d) no “event of default” or “event of termination” exists under any then-effective Liquidity Facility (as specified in such document);
(e) each representation and warranty made by the Department in the Issuing and Paying Agent Agreement, each then-effective Liquidity Facility and the Dealer Agreements is true and correct in all material respects on and as of such date;

(f) the respective Liquidity Facility supporting the related Outstanding Commercial Paper Notes and Commercial Paper Notes then to be issued is in full force and effect and the obligation of the Bank under such Liquidity Facility to pay the principal of and interest on maturing Commercial Paper Notes will not have terminated or been suspended; and

(g) immediately after the issuance and delivery of such Commercial Paper Notes and after giving effect to any immediate application of the proceeds thereof to the payment of maturing Commercial Paper Notes or repayment of amounts owing under the Bank Notes, the aggregate of unpaid principal on all Commercial Paper Notes Outstanding and the aggregate of the unpaid principal amount evidenced by the Bank Notes will not, in the aggregate, exceed the combined Principal Components attributable the then-effective Liquidity Facility(ies).

Notwithstanding the foregoing, so long as no Event of Default under the Issuing and Paying Agent Agreement has occurred and is continuing and except as otherwise set forth in the Tax Certificate, if the Department sells or issues Commercial Paper Notes for the purpose of paying, refunding or refinancing the principal of or interest on maturing Commercial Paper Notes (any such Commercial Paper Notes being “Refunding Commercial Paper Notes”), there will be no requirement for the Department to deliver any certificate or any other document in connection with the issuance of such Commercial Paper Notes and the Department will be permitted to authorize the issuance of Refunding Commercial Paper Notes using any procedure, system or communication of the applicable Dealer(s) and the Issuing and Paying Agent, including, without limitation, any electronic or telephonic instructions or authorizations and any standing instructions or authorizations that permit the issuance of Refunding Commercial Paper Notes without the Department’s specific authorization for each issuance.

If the Issuing and Paying Agent receives a Non-Issuance Instruction from a Bank, the Issuing and Paying Agent will not thereafter issue or deliver any related Commercial Paper Notes supported by such Bank’s Credit Agreement, notwithstanding any contrary instructions received by the Issuing and Paying Agent from an Authorized Representative or a Dealer, but will continue to draw on the effective Liquidity Facility(ies) until all Commercial Paper Notes have matured, and will resume issuing Commercial Paper Notes only if such Non-Issuance Instruction is withdrawn in writing. The Issuing and Paying Agent will immediately give notice to the Department and the Dealers of the receipt of a Non-Issuance Instruction from any Bank. A Non-Issuance Instruction will not be effective until received by the Issuing and Paying Agent. If received by the Issuing and Paying Agent by 11:30 a.m. (New York time) on a Business Day, it will be effective on the same Business Day. Otherwise it will be effective on the immediately succeeding Business Day. No further authentication or delivery of Commercial Paper Notes will be made after the effective date of the Non-Issuance Instruction until such time as the applicable Bank will have rescinded such instructions by a notice in writing to the Issuing and Paying Agent. The Issuing and Paying Agent will not be responsible for determining the existence of any event or condition pursuant to which a Non-Issuance Instruction may be given by any Bank and will be entitled conclusively to rely upon any such notice and will have no obligation or responsibility to make any investigation unto the validity of the facts or matters stated or asserted in any such notice.

Proceeds of Sale of the Commercial Paper Notes. The Issuing and Paying Agent will establish an account designated as the Harbor Department Commercial Paper Note Account in the Department’s name (the “Note Account”). By 12:30 p.m., New York City time, on each day on which a Dealer or its agent receives Commercial Paper Notes (whether through the facilities of DTC in the manner set forth in the Letter of Representation or by delivery of Certificated Notes in accordance with the Issuing and Paying
Agent Agreement), such Dealer will pay the purchase price for such Commercial Paper Notes in immediately available funds for deposit to the Note Account. The Issuing and Paying Agent agrees to transfer immediately available funds from the Note Account to the Project Fund established pursuant to the Issuing and Paying Agent Agreement, or to the Costs of Issuance Account established pursuant to the Issuing and Paying Agent Agreement, as the Department will direct in the Certificate described above, but only to the extent of proceeds of Commercial Paper Notes which are not intended to repay maturing Commercial Paper Notes. Any other proceeds are to be retained in the Note Account by the Issuing and Paying Agent to be applied to the repayment of maturing Commercial Paper Notes pursuant to the Issuing and Paying Agent Agreement. If Commercial Paper Notes are not presented for payment, the Issuing and Paying Agent will invest such proceeds in a money market fund or sweep account approved in writing by the Department.

**Project Account.** The Issuing and Paying Agent will establish an account designated as the Harbor Department Commercial Paper Project Account in the Department name (the “Project Account”). Within the Project Account, the Issuing and Paying Agent will establish separate subaccounts for the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes. Within the separate subaccounts for Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes, the Issuing and Paying Agent will establish separate subaccounts for each Program. The Issuing and Paying Agent will deposit to the Project Account all funds received for such purpose pursuant to the provisions described in the immediately preceding paragraph. Such funds will be deposited in the applicable subaccount of the Project Account to which the proceeds of the Commercial Paper Notes relate. Withdrawals from the Project Account will be made only from the subaccount specified in a project expenditure requisition. Upon receipt of a requisition, the Issuing and Paying Agent will pay such requisition in accordance with the provisions in this paragraph. Upon completion of each project to be financed with a draw on the Project Account, the Department will complete a Project Completion Tax-Exempt Worksheet substantially in the form attached to the Issuing and Paying Agent Agreement.

**Payment of Matured Commercial Paper Notes.** The Issuing and Paying Agent will establish an account designated as the Harbor Department Commercial Paper Matured Note Redemption Account in the Department’s name (the “Matured Note Redemption Account”), and within such account will establish two subaccounts, designated as the respective Bank’s Bank Subaccount (the “Bank Subaccount”) and the Department Subaccount (the “Department Subaccount”), respectively. The Department has entered into the Mizuho Credit Agreement to provide a revolving line of credit with respect to Mizuho Supported Notes. The Department has entered into the Wells Fargo Credit Agreement to provide a revolving line of credit with respect to Wells Fargo Supported Notes. To the extent there are not, or will not be, proceeds from refunding Commercial Paper Notes available in the Note Account or moneys on deposit in the Department Subaccount of the Matured Note Redemption Account sufficient to pay principal of or interest on the applicable Commercial Paper Notes becoming due and payable on any day (including, without limitation, principal and interest due and payable on Commercial Paper Notes upon an Event of Default under the Issuing and Paying Agent Agreement), then the Issuing and Paying Agent will draw on the related Liquidity Facility in accordance with its terms, no later than 12:00 p.m., New York City time on such day. In accordance with the Credit Agreements, the Issuing and Paying Agent may not draw on the Liquidity Facilities to pay principal of or interest on Commercial Paper Notes owned by, for the account of, or on behalf of, the Banks, the City, the Department or any affiliate thereof. Pursuant to the Credit Agreements, the Department may obtain advances thereunder until 5:00 p.m., New York City time, on the applicable Termination Date, but such Termination Date may be shortened or extended. Amounts drawn under the respective Liquidity Facility will be deposited in the respective Bank Subaccount of the Matured Note Redemption Account. The Issuing and Paying Agent will draw on the Liquidity Facility(ies) in accordance with its (their) terms such that by 2:30 p.m., New York City time, on the date that any Commercial Paper Notes are scheduled to mature, there will have been transferred to the Issuing and Paying Agent for deposit in the respective Bank Subaccount of the Matured Note Redemption
Account immediately available funds in an amount which, together with amounts on deposit in the Department Subaccount of the Matured Note Redemption Account and the proceeds of the Commercial Paper Notes to be issued on such date and deposited in the Note Account for payment of maturing Commercial Paper Notes, is at least equal to the amount of Commercial Paper Notes and the interest thereon maturing on such date. When any matured Commercial Paper Note is presented for payment by a Noteholder to the Issuing and Paying Agent (which may, in the case of Book-Entry Notes held by the Issuing and Paying Agent in custody pursuant to the Certificate Agreement, be DTC or nominee of DTC), payment as to principal and the interest thereon is to be made, by 4:00 p.m., New York City time on the maturity date, from and charged first to the Note Account and then to the Department Subaccount within the Matured Note Redemption Account. Moneys on deposit in the respective Bank Subaccount of the Matured Note Redemption Account will be held uninvested. On any date, any moneys remaining on deposit in the Department Subaccount of the Matured Note Redemption Account after payment of Commercial Paper Notes maturing on such date will be transferred to or upon the order of the Department, as directed in writing by the Department. On any date, any moneys remaining on deposit in the respective Bank Subaccount of the Matured Note Redemption Account after payment of Commercial Paper Notes maturing on such date, first, will be transferred to the respective Bank to pay any amounts owed by the Department under the related Liquidity Facility and, second, any remaining amounts will be transferred to the Department.

Rebate Account. The Issuing and Paying Agent will establish an account designated as the Harbor Department Commercial Paper Rebate Account (the “Rebate Account”). Within the Rebate Account, the Issuing and Paying Agent will establish a separate subaccount for each Program (except with respect to the Series D Notes). All amounts at any time on deposit in the Rebate Account will be held by the Issuing and Paying Agent in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts will be free and clear of any lien under the Issuing and Paying Agent Agreement and will be governed by the provisions thereof and by the Tax Certificate. The Issuing and Paying Agent will be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Department, and will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Department with the Rebate Requirement.

Deposits.

1. Within 45 days of the end of each Note Year (as such term is defined in the Tax Certificate), (1) the Department will calculate or cause to be calculated with respect to the Notes the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Note Year, and (2) upon the Department’s written direction, the Issuing and Paying Agent will deposit to the Rebate Account from deposits from the Department, if and to the extent required, amounts sufficient to cause the balance in the Rebate Account to be equal to the “rebate amount” so calculated.

2. The Issuing and Paying Agent will not be required to deposit any amount to the Rebate Account in accordance with the preceding sentence if the amount on deposit in the Rebate Account prior to the deposit required to be made under the Issuing and Paying Agent Agreement equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Account to the extent permitted under the Issuing and Paying Agent Agreement as described below under the caption “Withdrawals of Excess Amounts.”
3. The Department will not be required to calculate the “rebate amount,” and the Issuing and Paying Agent will not be required to deposit any amount to the Rebate Account in accordance with the Issuing and Paying Agent Agreement with respect to all or a portion of the proceeds of the Commercial Paper Notes (including amounts treated as proceeds of the Commercial Paper Notes) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B), or (2) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Department will provide written direction to the Issuing and Paying Agent that the Issuing and Paying Agent will not be required to deposit any amount to the Rebate Account in accordance with the provisions of the Issuing and Paying Agent Agreement.

Withdrawal Following Payment of Commercial Paper Notes. Any funds remaining in the Rebate Account after payment in full of all the Commercial Paper Notes and any amounts described in paragraph (2) under the caption “Withdrawal for Payment of Rebate” below, or provision made therefor satisfactory to the Issuing and Paying Agent, including accrued interest and payment of any applicable fees and expenses to the Issuing and Paying Agent, will be withdrawn by the Issuing and Paying Agent and remitted to the Department.

Withdrawal for Payment of Rebate. Upon the Department’s written direction, but subject to the exceptions described above under the caption “Deposits” to the requirement to calculate the “rebate amount” and make deposits to the Rebate Account, the Issuing and Paying Agent will pay to the United States, from amounts on deposit in the Rebate Account,

1. not later than 60 days after the end of (i) the fifth Note Year, and (ii) each fifth Note Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Note Year in accordance with Section 1.1483 of the Treasury Regulations; and

2. not later than 60 days after the payment of all Notes, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.1483 of the Treasury Regulations.

Rebate Payments. Each payment required to be made pursuant to the provisions described above under the caption “Withdrawal for Payment of Rebate” will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038 T, which will be completed by or on behalf of the Department and provided to the Issuing and Paying Agent.

Deficiencies in the Rebate Account. In the event that, prior to the time any payment is required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the Department will calculate the amount of such deficiency and direct the Issuing and Paying Agent to deposit an amount received from the Department equal to such deficiency into the Rebate Account prior to the time such payment is due.

Withdrawals of Excess Amounts. In the event that immediately following the calculation required under the Issuing and Paying Agent Agreement, but prior to any deposit made under said provisions, the amount on deposit in the Rebate Account exceeds the “rebate amount” calculated in accordance with said provisions, upon written instructions from the Department, the Issuing
and Paying Agent will withdraw the excess from the Rebate Account and transfer such excess to the Department.

**Record Keeping.** The Department will retain records of all determinations made under the Issuing and Paying Agent Agreement until six years after the complete retirement of the Commercial Paper Notes.

**Survival of Defeasance.** Notwithstanding anything in the Issuing and Paying Agent Agreement to the contrary, the Rebate Requirement will survive the payment in full or defeasance of the Commercial Paper Notes.

**Costs of Issuance Account.** The Issuing and Paying Agent will establish an account designated as the Harbor Department Commercial Paper Costs of Issuance Account in the Department name (the “Costs of Issuance Account”), which will be kept separate and apart from all other fund and moneys held by the Issuing and Paying Agent. Within the Costs of Issuance Account, the Issuing and Paying Agent will establish separate subaccounts for the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes. Within the separate subaccounts for the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes, the Issuing and Paying Agent will establish separate subaccounts for each Program. The Issuing and Paying Agent will deposit to the Costs of Issuance Account all funds received for such purpose, upon the Department’s written direction, and any moneys that the Department delivers to the Issuing and Paying Agent for deposit in the Costs of Issuance Account. Such funds will be deposited in the applicable subaccount of the Costs of Issuance Account to which the proceeds of the Commercial Paper Notes relate.

The Issuing and Paying Agent will disburse money from the Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance related to the issuance of the Commercial Paper Notes, in each case, promptly after receipt of, and in accordance with, written instruction of an Authorized Representative, together with invoices therefor. Any moneys remaining in the Costs of Issuance Account three (3) months following the initial date of deposit of such moneys therein, or upon the earlier determination by the Department that all Costs of Issuance related to the issuance of the Commercial Paper Notes have been paid and instruction to the Issuing and Paying Agent to make the transfer provided herein, will be transferred to the Project Fund and applied as provided therein.

**Covenants of the Department**

**Authorization.** The Department will not permit the aggregate principal amount of indebtedness represented by the Commercial Paper Notes outstanding at any one time to exceed the limitations specified in the Issuing and Paying Agent Agreement.

**Punctual Payment.** The Department will pay from moneys in the Harbor Revenue Fund, all Operation and Maintenance costs (including amounts reasonably required to be set aside in the contingency reserves for Operation and Maintenance costs, the payment of which is not then immediately required) as they become due and payable. In addition thereto, the Department will punctually pay or cause to be paid the principal of and interest, if any, on the Notes, in conformity with the Notes and the Issuing and Paying Agent Agreement.

**Maintenance of Issuing and Paying Agent.** The Department will at all times maintain an Issuing and Paying Agent for the Commercial Paper Notes with an office in New York, New York.
Liquidity Facility. For so long as any Commercial Paper Notes remain Outstanding, the Department will at all times maintain in effect the Credit Agreements or other Liquidity Facility(ies), provided that the combined Principal Components attributable to the Liquidity Facilities in effect at any one time shall not exceed $250 million, and provided that the provisions of the Issuing and Paying Agent Agreement have been met in connection with any liquidity facility substitution.

Substitute Liquidity Facility. The Department may obtain one or more Substitute Liquidity Facilities to replace one or more Liquidity Facilities then in effect, or any portion thereof, so long as the combined Principal Components of said Substitute Liquidity Facility(ies) does not exceed the aggregate principal amount of the Commercial Paper Notes maturing on the substitution date, plus the aggregate principal amount of Commercial Paper Notes authorized but not then Outstanding under the Issuing and Paying Agent Agreement. At no time will a Substitute Liquidity Facility replace one or more Liquidity Facilities then in effect with respect to Commercial Paper Notes that were Outstanding prior to such replacement and that will remain Outstanding following such replacement. Said Substitute Liquidity Facility will go into effect at least one Business Day prior to the termination of the Liquidity Facility (or portion thereof) it replaces. Each Substitute Liquidity Facility will have a Commitment at least as great as the Principal Component thereunder plus interest thereon at the Maximum Rate for a period of 270 days. The following are further conditions to the Issuing and Paying Agent’s ability to accept a Substitute Liquidity Facility:

(a) the Department will deliver written notice of the proposed substitution to the Issuing and Paying Agent, each Bank and each Dealer not less than twenty (20) days prior to the substitution date;

(b) there will be delivered to the Department and the Issuing and Paying Agent written evidence from each rating agency then maintaining a rating on the Commercial Paper Notes at the request of the Department, that the substitution of the Liquidity Facility(ies) then in effect will not, in and of itself, result in any rating then assigned to the Commercial Paper Notes being suspended, reduced or withdrawn;

(c) the Issuing and Paying Agent will deliver written notice as provided in the Issuing and Paying Agent Agreement to the Holders of the Commercial Paper Notes at least fifteen (15) days prior to the substitution date;

(d) an opinion or opinions of counsel to the successor Bank or Banks will be delivered to the effect that any Substitute Liquidity Facility is a legal, valid and binding obligation of the issuing Bank or Banks and is enforceable against the Bank or Banks in accordance with its terms;

(e) an opinion or opinions of Note Counsel shall be delivered to the effect that the substitution of the Liquidity Facility(ies) is authorized hereunder and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series A Notes, the Series B Notes and the Series C Notes; and

(f) each provider of a Substitute Liquidity Facility will be rated “A” or better by each rating agency then maintaining a rating on the Commercial Paper Note.

Opinion of Note Counsel. From and after the initial issuance of Commercial Paper Notes, the legal opinion or opinions of Nixon Peabody LLP or other Note Counsel, as to the validity of the Notes and as to federal income tax and State of California personal income tax matters relating thereto will be furnished to the Bank or Banks and any Noteholder without cost.
**Tax Covenants.**

(a) The Department covenants with the owners of the Series A Notes, Series B Notes and Series C Notes that, notwithstanding any other provisions of the Issuing and Paying Agent Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Series A Notes, Series B Notes and Series C Notes under Section 103 of the Code. The Department will not, directly or indirectly, use or permit the use of proceeds of the Series A Notes, Series B Notes and Series C Notes or any of the property financed or refinanced with the proceeds of the Series A Notes, Series B Notes and Series C Notes, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Series A Notes, Series B Notes and Series C Notes.

(b) The Department will not take any action, or fail to take any action, if any such action or failure to take action would cause the Series A Notes, Series B Notes to be other than “exempt facility bonds” within the meaning of Section 142(a)(2) of the Code, and in furtherance thereof, will not make any use of the proceeds of the Series A Notes, Series B Notes, or of the portion of the facilities, property or equipment financed or refinanced with the proceeds of the Series A Notes or the Series B Notes, or any portion thereof, as would cause the Series A Notes or the Series B Notes not to qualify under Section 142(a)(2) of the Code as “exempt facility bonds.” The Department will not take any action, or fail to take any action, if any such action or failure to take action would cause the Series C Notes to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Series C Notes or any of the property financed or refinanced with proceeds of the Series C Notes, or any portion thereof, or any other funds of the Department, that would cause the Series C Notes to be “private activity bonds” with the meaning of Section 141 of the Code. To that end, so long as any Series A Notes, Series B Notes and Series C Notes are Outstanding, the Department, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”), to the extent such requirements are, at the time, applicable and in effect. The Department will establish reasonable procedures necessary to ensure continued compliance with the aforementioned sections of the Code and the continued qualification of the portion of the facilities, property or equipment financed or refinanced with the proceeds of the Series A Notes, Series B Notes and Series C Notes as “governmental bonds” and as “exempt facility bonds”, respectively.

(c) The Department will not, directly or indirectly, use or permit the use of any proceeds of the Series A Notes, Series B Notes or Series C Notes, or of any property financed or refinanced thereby, or other funds of the Department, or take or omit to take any action, that would cause the bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Department will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Series A Notes, Series B Notes and Series C Notes.

(d) The Department will not make any use of the proceeds of the Series A Notes, Series B Notes and Series C Notes or any other funds of the Department, or take or omit to take any other action, that would cause the Series A Notes, Series B Notes and Series C Notes to be “federally guaranteed” within the meaning of Section 149(b) of the Code.
In furtherance of the foregoing tax covenant, the Department covenants that it will comply with the provisions of the Tax Certificate. These covenants will survive the payment in full or defeasance of the Series A Notes, Series B Notes and Series C Notes.

Rates. The Department will fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the Council only in those instances and in such manner as may be provided in the Charter, and collect such charges, rentals, compensations and fees, such as to provide revenues, after payment of all Operation and Maintenance costs for each Fiscal Year, which will at least equal one hundred twenty-five percent (125%) of Debt Service and other amounts to be paid by the Department under the Issuing and Paying Agent Agreement for such Fiscal Year, and during such period the Council will, when its approval is required by said Charter, approve rates, tolls, charges, rentals, compensations and fees so fixed by said Department, sufficient for the purposes aforesaid; no ordinance adopted by the Council approving any rate, toll, charge, rental compensation or fee so fixed by said Department will be subject to referendum.

Restrictions on Additional Indebtedness. Except for the Notes, no additional Parity Obligations will be created or incurred,

(a) Unless the Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of the resolution authorizing the issuance or execution of such Parity Obligations, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, will have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service due and payable during such twelve calendar month period; and

(b) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Parity Obligations or the date of adoption by the Board of the resolution authorizing the issuance of such Parity Obligations, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in tolls, charges, rentals, compensations or fees approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, will have produced a sum equal to at least one hundred twenty-five percent (125%) of average Annual Debt Service, including such Parity Obligations being created or incurred, but excluding Parity Obligations to be redeemed or defeased simultaneously with the issuance and with the proceeds of the Parity Obligations being created or incurred;

provided that, as to any such Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest on such Parity Obligations will be equal to the rate per annum of the Bond Buyer Revenue Bond Index most recently published in The Bond Buyer preceding the date of calculation, or if such index is no longer in existence, a comparable index selected by the Department; and

provided further that if any series or issue of such Parity Obligations have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, principal of and interest on such series or issue will be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that “average Annual Debt Service” with respect to the Commercial Paper Notes, any Bank Notes and any Liquidity Advances (as such term is defined under the applicable Credit Agreement) will be calculated using the following assumptions (a) the principal amount with respect to
the Commercial Paper Notes, the Bank Notes and any Liquidity Advances will be aggregated and taken together and will collectively be deemed to be outstanding in an aggregate amount of $250 million (the “Aggregated Principal Amount”), (b) principal of and interest on the Aggregated Principal Amount will be determined for the Fiscal Year of determination as if the principal of and interest on the Aggregated Principal Amount were being paid in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation and (c) the rate of interest on the Aggregated Principal Amount will equal to the rate per annum of the Bond Buyer Revenue Bond Index most recently published in The Bond Buyer preceding the date of calculation, or if such index is no longer in existence, a comparable index selected by the Department; and

provided further that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount will be treated as interest, in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of principal of and interest on such Parity Obligations will be deducted from the amount of principal due at the final maturity of the Parity Obligations for which reserve funds was established and in each preceding year until such amount is exhausted; and

provided further that if the Parity Obligations constitute Paired Obligations, the interest rate on such bonds or contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the Department with respect to such Paired Obligations.

The issuance of bonds, notes or other evidences of indebtedness, or certificates of participation, for the purpose of refunding at or prior to maturity the principal of bonds, notes or other evidences of indebtedness and paying any premium upon redemption of any thereof so refunded will not be limited or restricted by the provisions of the Issuing and Paying Agent Agreement, if the Debt Service for such bonds, notes or other evidences of indebtedness, in each year will be lower than the Debt Service on the bonds, notes or other evidences of indebtedness being refunded.

Events of Default and Remedies of Noteholders

Events of Default. If one or more of the following events (called “Events of Default”) happens, that is to say:

(a) if default is made in the due and punctual payment of the principal of any Commercial Paper Note when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default is made in the due and punctual payment of any installment of interest on any Commercial Paper Note when and as such interest installment will become due and payable;

(c) if the principal of any Bank Note is declared due and payable prior to the maturity thereof pursuant to the Bank Note or the Credit Agreements or the Issuing and Paying Agent Agreement; or

(d) if the holder of any Parity Obligation or the trustee for any holders of Parity Obligations at the time outstanding exercises a right under the Parity Obligation or the constituent instruments under which such Parity Obligation was issued to declare the principal thereof to be payable prior to the maturity thereof;
then, and in every such event, (i) any Holder of any Commercial Paper Note at the time outstanding may, by notice to the Department, declare the principal of such Holder’s Commercial Paper Notes, and the interest accrued thereon, to be due and payable immediately; whereupon the same will become and will be immediately due and payable, anything in the Issuing and Paying Agent Agreement or in the Notes contained to the contrary notwithstanding, and (ii) the applicable Bank will have all remedies set forth in the applicable Credit Agreement.

Suits at Law or in Equity and Mandamus. In case one or more Events of Default occurs then and in every such case any Holder of any Commercial Paper Note at the time Outstanding and the applicable Bank will be entitled to proceed to protect and enforce such Holder’s rights or the Bank’s rights, as the case may be, by such appropriate judicial proceeding as such enforcer will deem most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained in the Issuing and Paying Agent Agreement, or in aid of the exercise of any power granted in the Issuing and Paying Agent Agreement, or to enforce any other legal or equitable right. The provisions of the Issuing and Paying Agent Agreement are a contract with the Banks and with each and every Holder of Commercial Paper Notes, and the duties of the Department and of the Board will be enforceable by the Banks or any Noteholder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Remedies Not Exclusive. No remedy conferred in the Issuing and Paying Agent Agreement upon the Banks or the Holders of Commercial Paper Notes is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other remedy given under the Issuing and Paying Agent Agreement or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Banks, as applicable, or the Holder of any one or more of the Commercial Paper Notes.

Issuing and Paying Agent Agreement

Appointment of Issuing and Paying Agent. The Department appoints U.S. Bank National Association as the Issuing and Paying Agent, who agrees to act, on the terms and conditions specified in the Issuing and Paying Agent Agreement and in the Letter of Representations and Certificate Agreement, as custodian and issuing and paying agent for the Commercial Paper Notes.

Replacement of Issuing and Paying Agent. Subject to the provisions of the Credit Agreements, the Department may remove said firm as Issuing and Paying Agent and appoint one or more successors thereto (which will be a commercial bank with trust powers or trust company), all without notice to or the consent of the Banks or any Noteholder. The Issuing and Paying Agent may at any time resign by giving written notice of such resignation to the Department, each Dealer and each Bank. Upon receiving such notice of resignation, the Department will promptly appoint a successor Issuing and Paying Agent by an instrument in writing. No removal or resignation of the Issuing and Paying Agent will be effective until a new Issuing and Paying Agent has taken office. All Commercial Paper Notes validly authenticated and delivered by an Issuing and Paying Agent prior to its removal or resignation, and the authority granted to such Issuing and Paying Agent with respect to the payment of such Commercial Paper Notes, will be valid obligations notwithstanding such removal or resignation, and such Issuing and Paying Agent will maintain the powers of Issuing and Paying Agent with respect to such Commercial Paper Notes until the same have been paid in full.

Miscellaneous Provisions

Supplemental Agreement. Subject to the applicable provisions of the Credit Agreements, the Department may modify or amend the Issuing and Paying Agent Agreement and the rights and
obligations of the Banks and the Holders of Commercial Paper Notes and the Department thereunder at any time by a supplemental agreement, without notice to or the consent of the Banks or any Noteholder, but only to make such provisions for the purpose of (i) curing any ambiguity, (ii) curing, correcting or supplementing any defective provision contained in the Issuing and Paying Agent Agreement, or (iii) complying with requirements of the Code, in order to satisfy the covenants in the Issuing and Paying Agent Agreement; in each case as the Department may deem necessary or desirable and not inconsistent with the Issuing and Paying Agent Agreement, and which will not adversely affect the rights, interests, remedies or security of the Banks or the Holders of the Commercial Paper Notes thereunder.

Benefit of Agreement. The Issuing and Paying Agent Agreement is solely for the benefit of the parties thereto, and no other person will acquire or have any right under or by virtue of the Issuing and Paying Agent Agreement.

Terms and Termination of Agreement. The Issuing and Paying Agent Agreement may be terminated at any time by either the Issuing and Paying Agent or the Department by 15 days’ prior written notice to the other and the Banks, provided that the Issuing and Paying Agent agrees to continue acting as issuing and paying agent until such time as its successor has been selected and has entered into an agreement with the Department to that effect. Such termination will not affect the respective liabilities of the parties under the Issuing and Paying Agent Agreement arising prior to such termination. Unless otherwise terminated, the Issuing and Paying Agent Agreement will have a term of three (3) years; provided, however, that the Executive Director of the Department can extend the term of the Issuing and Paying Agent Agreement on the same terms and conditions by letter agreement for successive periods of up to two (2) years after the initial term so long as the Commercial Paper Notes are Outstanding.

Governing Law. The Issuing and Paying Agent Agreement is to be governed by, and construed in accordance with the laws of the State of New York with respect to the obligations of the Issuing and Paying Agent under the Issuing and Paying Agent Agreement, and in accordance with the laws of the State of California with respect to the obligations of the Department under the Issuing and Paying Agent Agreement.

No Waiver; Remedies. No failure on the part of the Issuing and Paying Agent or the Department to exercise, and no delay in exercising, any right under the Issuing and Paying Agent Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right under the Issuing and Paying Agent Agreement preclude any other further exercise of such right or the exercise of any other right. The remedies provided in the Issuing and Paying Agent Agreement are cumulative and not exclusive of any remedies provided by law.

Severability. Any provision of the Issuing and Paying Agent Agreement that is prohibited, unenforceable or not authorized in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non authorization without invalidating the remaining provisions of the Issuing and Paying Agent Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Prior Agreements Superseded. The Issuing and Paying Agent Agreement supersedes all prior undertakings and agreements, both written and oral, between the Department and the Issuing and Paying Agent relating to the duties and obligations provided under this Agreement, including (a) that certain Issuing and Paying Agent Agreement, dated as of November 1, 2001 (the “2001 Agreement”), by and between the Department and the Issuing and Paying Agent; (b) that certain Issuing and Paying Agent Agreement, dated as of July 1, 2009 (the “2009 Agreement”), by and between the Department and the Issuing and Paying Agent; (c) the First Supplemental Issuing and Paying Agent Agreement, dated as of July 1, 2010 (the “First Supplemental Agreement”), by and between the Department and the Issuing and
Paying Agent; and (d) those undertakings and agreements contained in any commitment letter or term sheet between the Department and the Issuing and Paying Agent. The Department and the Issuing and Paying Agent agree and acknowledge that each of the 2001 Agreement, the 2009 Agreement and the First Supplemental Agreement has terminated in accordance with its respective terms and is no longer of any force and effect.

Effectiveness of Issuing and Paying Agent Agreement. The Issuing and Paying Agent Agreement will become effective on and as of the Effective Date.

Noteholders Deemed to Consent and Approve. All Holders purchasing Notes for delivery on the Effective Date are deemed to have consented to and approved the execution and delivery of the Amended and Restated Issuing and Paying Agent Agreement, including all amendments to the 2009 Agreement and the First Supplemental Agreement.

Waiver of Personal Liability. No member, officer, agent or employee of the City or the Department will be individually or personally liable for the payment of the principal of or premium or interest on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Issuing and Paying Agent Agreement will relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Issuing and Paying Agent Agreement.

Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required under the Issuing and Paying Agent Agreement is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest will accrue for the intervening period; provided, however, that this paragraph will not apply to Bank Notes.

Notice to Each Rating Agency. The Department will give notice to each Rating Agency at its then-current address of any amendments to or modification of the Issuing and Paying Agent Agreement, any change in the identity of the Issuing and Paying Agent or any Dealer, and any expiration, termination, substitution or extension or any Liquidity Facility.
APPENDIX C

DTC BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Department believes to be reliable, but the Department assumes no responsibility for its accuracy.

The DTC, New York, New York, will act as securities depository for the Commercial Paper Notes. The Commercial Paper Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each issue of the Commercial Paper Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; however, nothing contained in such website is incorporated into this Offering Memorandum.

Purchases of Commercial Paper Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Commercial Paper Notes on DTC’s records. The ownership interest of each actual purchaser of each Commercial Paper Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Commercial Paper Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Commercial Paper Notes, except in the event that use of the book-entry system for the Commercial Paper Notes is discontinued.

To facilitate subsequent transfers, all Commercial Paper Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Commercial Paper Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the
Commercial Paper Notes: DTC records reflect only the identity of the Direct Participants to whose accounts such Commercial Paper Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Commercial Paper Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Commercial Paper Notes, such as redemptions, tenders, defaults, and proposed amendments to the related documents. For example, Beneficial Owners of Commercial Paper Notes may wish to ascertain that the nominee holding the Commercial Paper Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Commercial Paper Notes unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Commercial Paper Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Commercial Paper Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Department or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent or the Department, subject to any statutory, or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Commercial Paper Notes at any time by giving reasonable notice to the Department or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Commercial Paper Note certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Commercial Paper Note certificates will be printed and delivered to DTC.

THE DEPARTMENT AND THE ISSUING AND PAYING AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE COMMERCIAL PAPER NOTES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE ISSUING AND PAYING AGENT AS BEING AN OWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR
INTEREST ON THE COMMERCIAL PAPER NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS; ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS AN OWNER; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE COMMERCIAL PAPER NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR OWNERS OR REGISTERED HOLDERS OR REGISTERED OWNERS OF THE COMMERCIAL PAPER NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE COMMERCIAL PAPER NOTES.