

FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE

by and between

CITY OF LONG BEACH

and

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

Dated as of July 1, 2005

Relating to

\$35,000,000

City of Long Beach, California

Subordinate Gas Utility Revenue Commercial Paper Notes

Series A

Series B (Taxable)

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FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE

THIS FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE (this “First Supplemental Subordinate Indenture”), dated as of July 1, 2005, is made by and between **CITY OF LONG BEACH**, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (the “City”) and **DEUTSCHE BANK NATIONAL TRUST COMPANY**, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), and supplements that Master Subordinate Trust Indenture dated as of July 1, 2005 which is also by and between the City and the Trustee (the “Master Subordinate Indenture”).

WHEREAS, the Master Subordinate Indenture provides, in Section 2.09 thereof, for the issuance of Subordinate Obligations and, in Section 10.02 thereof, for the execution and delivery of Supplemental Subordinate Indentures setting forth the terms of such Subordinate Obligations; and

WHEREAS, the City desires to implement a Commercial Paper Program within the meaning of the Master Subordinate Indenture; and

WHEREAS, the City now, for the purpose of providing financing of certain of its projects, by execution and delivery of this First Supplemental Subordinate Indenture and in compliance with the provisions of the Master Subordinate Indenture, sets forth the terms of the City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A (the “Series A Notes”) and the City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable) (the “Series B Notes,” and together with the Series A Notes, the “Commercial Paper Notes”), in an aggregate authorized principal amount of \$35,000,000 and provides for the deposit and use of the proceeds of the Commercial Paper Notes and makes other provisions relating to the Commercial Paper Notes.

ARTICLE I

DEFINITIONS; INTERPRETATIONS

Section 1.01. Definitions. The following definitions shall apply to terms used in this First Supplemental Subordinate Indenture, unless the context clearly requires otherwise and shall be applicable to both the singular and plural forms of any of the terms defined:

“*Advances*” means (a) each loan or advance made under a Credit Facility (or loans or advances made under Credit Facilities) to pay the principal of and interest, if any, on any Commercial Paper Notes and (b) each loan or advance made by a Credit Provider (or loans or advances made by Credit Providers) to repay any loan or advance previously made under a Credit Facility (or Credit Facilities). Initially, Advances shall include any payments made by the Bank as a result of draws made on the Letter of Credit to pay the principal of and interest on the Commercial Paper Notes.

“*Advice*” means a notice or a written instrument executed by the Issuing and Paying Agent and delivered to the Depository which specifies the amount by which the indebtedness evidenced by a Master Note is to be increased or decreased on any particular date, the respective rates of interest at which each portion of such amount is to bear interest, the respective dates on which each portion of such amount matures and such other information as may be required pursuant to the systems and procedures of the Depository of a Master Note applicable to implementation of its book-entry program for obligations of the character of the Commercial Paper Notes.

“*Authorized Amount*” means for purposes of this First Supplemental Subordinate Indenture the aggregate principal amount of \$35,000,000.

“*Available Authorized Amount*” means initially \$35,000,000 and thereafter Available Authorized Amount as modified by a Change in Available Authorized Amount Certificate.

“*Available Moneys*” means moneys which are continuously on deposit with the Trustee in trust for the benefit of the holders of the Commercial Paper Notes in a separate and segregated account in which only Available Moneys are held, which moneys constitute proceeds of (a) the Commercial Paper Notes received contemporaneously with the initial issuance and sale of the Commercial Paper Notes, (b) a drawing under the Letter of Credit or payments otherwise made under a substitute Letter of Credit, (c) refunding obligations for which the Trustee has received a written opinion of legal counsel experienced in bankruptcy matters and acceptable to the Trustee to the effect that payment of such moneys to the holders of the Commercial Paper Notes would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event the City were to become a debtor under the United States Bankruptcy Code or (d) the investment of funds qualifying as Available Moneys under the foregoing clauses.

“*Bank*” means, initially, JPMorgan Chase Bank, N.A., the Credit Provider which is issuing the initial Letter of Credit and/or any other Credit Provider that is the issuer of a Letter of Credit or other form of Credit Facility then outstanding and effective hereunder.

“*Bank Note*” means the note delivered by the City to the Bank under the Reimbursement Agreement which constitutes a Subordinate Obligation under the Master Subordinate Indenture.

“*Business Day*” means any day other than (a) a Saturday, Sunday or (b) a day on which commercial banks in New York or California, are required or authorized by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

“*Certificate,*” “*Statement,*” “*Request,*” “*Requisition*” and “*Order*” of the City means, respectively, a written certificate, statement, request, requisition or order signed by the Authorized City Representative or any other person authorized by an Authorized City Representative to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.04, each such instrument shall include the statements provided for in Section 1.04.

“*Certificate Agreement*” means a Certificate Agreement as defined in Section 2.09(b) hereof.

“*Change in Available Authorized Amount Certificate*” means a certificate in the form set forth herein as Exhibit B hereto and signed by a Designated Representative.

“*Commercial Paper Notes*” means all City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes authorized to be issued from time to time under the Master Subordinate Indenture and this First Supplemental Subordinate Indenture, having the terms and characteristics specified in Article II hereof and in the form set forth (a) in the case of a Series A Note, in Exhibit A-1 hereto and (b) in the case of a Series B Note, in Exhibit A-2 hereto.

“*Commercial Paper Project*” means a Tax-Exempt Project or a Taxable Project.

“*Construction Fund*” means the Commercial Paper Notes Construction Fund created in Section 3.02 of this First Supplemental Subordinate Indenture, including the Series A Project Account and the Series B Project Account and into which proceeds of the Commercial Paper Notes to be used to pay Costs of the Commercial Paper Projects is to be deposited.

“*Dealer*” means initially Lehman Brothers Inc., or any successor or assigns to any one or more of such entities permitted under the Dealer Agreement or any other dealer for the Commercial Paper Notes which is appointed by the City and has entered into a Dealer Agreement.

“*Dealer Agreement*” means initially the Commercial Paper Dealer Agreement, dated as of July 1, 2005, between the City and the Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the City and a Dealer with respect to the Commercial Paper Notes.

“*Debt Service Fund*” means the Commercial Paper Notes Debt Service Fund created in Section 3.01 of this First Supplemental Subordinate Indenture and into which money is to be deposited to pay debt service on the Commercial Paper Notes and to reimburse the Bank for Advances.

“*Depository*” means (a) initially, DTC, and (b) any other qualified securities depository acting as Depository pursuant to Section 2.09 of this First Supplemental Subordinate Indenture.

“*Depository System Participant*” means any participant in the Depository’s book-entry system.

“*Designated Representative*” means those individuals designated by resolution of the City Council to complete and deliver a Change in Available Authorized Amount Certificate and a Note Designation Certificate and who have been identified in a certificate of an Authorized City Representative delivered to the Issuing and Paying Agent and the Dealer and whose signatures have likewise been certified to the Issuing and Paying Agent and the Dealer.

“*Drawing*” shall have the meaning given to such term in the Letter of Credit.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“*Expiration Date*” means the date of scheduled expiration of the Letter of Credit.

“*First Supplemental Subordinate Indenture*” means this First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005, by and between the City and the Trustee and which sets forth the terms of the Commercial Paper Notes.

“*Instructions*” means instructions given by the Dealer to the Issuing and Paying Agent in substantially the form set forth in the Dealer Agreement.

“*Issuing and Paying Agent*” means initially Deutsche Bank National Trust Company, or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the City and has entered into an Issuing and Paying Agent Agreement.

“*Issuing and Paying Agent Agreement*” means initially the Issuing and Paying Agent Agreement, dated as of July 1, 2005, by and between the City and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the City and the Issuing and Paying Agent with respect to the Commercial Paper Notes.

“*Letter of Representations*” means a letter to the Depository from the City and the Issuing and Paying Agent representing such matters as shall be necessary to qualify the Commercial Paper Notes for the Depository’s book-entry system.

“*Letter of Credit*” means the irrevocable letter of credit or letters of credit issued by the Bank and/or Banks to the Issuing and Paying Agent, for the benefit of the City, on or prior to the date of issuance of the first Commercial Paper Note and any substitute letters of credit accepted by the Issuing and Paying Agent as provided in Section 8.01 hereof. The Letter of Credit is a Credit Facility as defined in the Master Subordinate Indenture.

“*Master Note*” means a Commercial Paper Note substantially in the form attached hereto as Exhibit E and necessary to meet the requirements of the Depository.

“*Master Subordinate Indenture*” means the Master Subordinate Trust Indenture, dated as of July 1, 2005, by and between the City and the Trustee, under which the Commercial Paper Notes are authorized and secured.

“*Maturity Date*” means, with respect to any Commercial Paper Note, the date, which shall be a Business Day, on which the principal of and interest, if any, on such Commercial Paper Note is scheduled to become due and payable.

“*Maximum Interest Rate*” means, with respect to the Commercial Paper Notes, the lesser of (a) 12% per annum and (b) the maximum rate of interest permitted by applicable law.

“*New Issue*” means the issuance of Commercial Paper Notes the proceeds of which are to be used for any purpose other than to repay the principal and/or interest of maturing Commercial Paper Notes.

“*Nominee*” means (a) initially, Cede & Co., as nominee of DTC, and (b) such other nominee of a Depository designated pursuant to Section 2.09 of this First Supplemental Subordinate Indenture.

“*Note Designation Certificate*” means the designation given by the City to the Dealer in substantially the form set forth in the Dealer Agreement.

“*Note Proceeds*” means proceeds of the sale of the Commercial Paper Notes or any moneys, securities or other obligations that may be deemed to be proceeds of the Commercial Paper Notes or collateral for the Commercial Paper Notes within the meaning of the Code.

“*Notice of Issuance of Commercial Paper Notes*” means the notice given to the Dealer by a Designated Representative of the City’s determination to issue Commercial Paper Notes. Such Notice of Issuance of Commercial Paper Notes shall be in substantially the form set forth herein as Exhibit F.

“*Opinion of Bond Counsel*” means a written opinion of Bond Counsel.

“*Payment Obligations*” means the Reimbursement Obligations owed to the Bank under the Reimbursement Agreement, and all other “Obligations” (as such term is defined in the Reimbursement Agreement) owed to the Bank under the Reimbursement Agreement.

“*Principal Office*” of the Issuing and Paying Agent means the office thereof designated in writing to the City and the Trustee.

“*Program Subaccount*” means a subaccount established within a Series Account for the Commercial Paper Program.

“*Program Termination Date*” means July 1, 2020, or such later date as shall be established pursuant to Section 2.08 hereof.

“*Project Costs*” means, with respect to any Commercial Paper Project, the Costs of the City incurred in connection with, or related to, such Commercial Paper Project.

“*Rebate Fund*” means the fund created by Section 6.01 hereof.

“*Reimbursement Agreement*” means the Reimbursement Agreement, dated as of July 1, 2005, between the City and the Bank, and any and all modifications, alterations, amendments and supplements thereto and any similar document entered into with respect to a subsequent Letter of Credit.

“*Reimbursement Agreement Event of Default*” means an event of default as defined under the Reimbursement Agreement.

“*Series*” means all of the Commercial Paper Notes authorized for issuance pursuant to the Master Subordinate Indenture and this First Supplemental Subordinate Indenture and designated as being of the same series, i.e., Series A Notes or Series B Notes, and any Commercial Paper Notes thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for such Commercial Paper Notes as provided herein.

“*Series A Notes*” means Commercial Paper Notes, the interest on which is to be excluded from gross income for federal income tax purposes.

“*Series Account*” means an account established within a fund for a particular Series of Commercial Paper Notes.

“*Series A Credit Facility Account*” means the Series A Credit Facility Account created in the Debt Service Fund pursuant to Section 3.01 of this First Supplemental Subordinate Indenture.

“*Series A Project*” means any undertaking, facility or item which is listed on Exhibit C hereto, as from time to time amended, as provided in Section 3.05(d) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds of the sale of Series A Notes.

“*Series A Project Account*” means the Series A Project Account created in the Construction Fund pursuant to Section 3.02 of this First Supplemental Subordinate Indenture.

“*Series B Credit Facility Account*” means the Series B Credit Facility Account created in the Debt Service Fund pursuant to Section 3.01 of this First Supplemental Subordinate Indenture.

“*Series B Notes*” means Commercial Paper Notes, the interest on which is not to be excluded from gross income for federal income tax purposes.

“*Series B Project*” means any undertaking, facility or item which is listed on Exhibit D hereto, as from time to time amended, as provided in Section 3.05(d) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds of the sale of the Series B Notes.

“*Series B Project Account*” means the Series B Project Account created in the Construction Fund pursuant to Section 3.02 of this First Supplemental Subordinate Indenture.

“*Specified Event of Default*” means an Event of Default described in subsection (a), (b), (c), (e), (f) or (g) of Section 8.01 of the Master Subordinate Indenture, which Event of Default has not been cured.

“*Stated Amount*” shall have the meaning given to such term under the Reimbursement Agreement and the Letter of Credit.

“*Stop Issuance Notice*” shall have the meaning given to such term in the Reimbursement Agreement.

“*Tax Certificate*” means the Tax Compliance Certificate and/or Agreement of the City executed and delivered on or prior to the date of issuance of the initial Series A Notes, and any amendments, modifications, reaffirmations or renewals thereof or any new certificate or agreement of the City relating to such matters.

“*Tax-Exempt Project*” means each of the projects described in the Tax Certificate or otherwise satisfying the requirements of Section 141 of the Code and the Tax Certificate.

“*Taxable Project*” means any project which the City is lawfully permitted to undertake that is not a Tax-Exempt Project.

“*Termination Date*” means the earlier of (a) the Program Termination Date or (b) five (5) days prior to the Expiration Date of the Letter of Credit.

Section 1.02. Incorporation of Definitions Contained in the Indenture. Except as otherwise provided in Section 1.01 of this First Supplemental Subordinate Indenture, all words, terms and phrases defined in the Master Subordinate Indenture shall have the same meanings herein as in the Master Subordinate Indenture.

Section 1.03. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this First Supplemental Subordinate Indenture.

Section 1.04. Content of Certificates and Opinions. Every certificate or opinion provided for in this First Supplemental Subordinate Indenture with respect to compliance with any provision hereof or thereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement (i) that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter or (ii) that he or she had made or caused to be made his or her examination or investigation with respect to the subject matter in accordance with specified professional standards; and (d) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an independent consultant, unless such officer or staff member knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer of the City, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous.

The same officer of the City, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this First Supplemental Subordinate Indenture, but different officers, staff members, counsel, accountants or independent consultants may certify to different matters, respectively.

Section 1.05. References to a Credit Provider or a Credit Facility. References to a Credit Provider or Credit Providers or a Credit Facility or Credit Facilities shall only be operative hereunder if a Credit Facility is, or Credit Facilities are, then in effect with respect to any Commercial Paper Notes or any Payment Obligations remain outstanding under the Reimbursement Agreement.

ARTICLE II

THE COMMERCIAL PAPER NOTES; BANK NOTE

Section 2.01. Authorized Amount of Commercial Paper Notes; Terms and Description of Commercial Paper Notes and the Bank Note.

(a) No Commercial Paper Notes may be issued under the provisions of this First Supplemental Subordinate Indenture except in accordance with this Article.

(b) The City hereby authorizes the issuance of its “City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A and “City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable)” subject to the provisions of this Section 2.01 and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance the Project Costs of Series A Projects, and to refinance, renew or refund Series A Notes (or Series B Notes, provided the City receives an Opinion of Bond Counsel prior to such issuance) issued hereunder or Advances or Drawings made pursuant to a Credit Facility for the Series A Notes. The Series B Notes shall be issued from time to time as provided herein to finance the Project Costs of Series B Projects, and to refinance, renew or refund Commercial Paper Notes issued hereunder or Advances or Drawings made pursuant to a Credit Facility for the Commercial Paper Notes. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes. Proceeds of Series A Notes issued to refinance other Commercial Paper Notes shall be used to pay or reimburse the Bank for principal Advances used to pay maturing principal and shall only be used to pay or reimburse the Bank for Advances used to pay interest due on such maturing Commercial Paper Notes subject to the terms and provisions of the Tax Certificate. The aggregate principal amount of Commercial Paper Notes that may be Outstanding at any one time hereunder shall not at any time exceed the lesser of (a) the Available Authorized Amount, and (b) the Stated Amount less the aggregate amount of interest due at the maturity of all Outstanding Commercial Paper Notes. The Available Authorized Amount may be modified upon delivery to the Issuing and Paying Agent of a Change in Available Authorized Amount Certificate, provided, however, that in no event shall the Available Authorized Amount exceed the Authorized Amount. Notwithstanding anything herein to the contrary, the Commercial Paper Notes shall not bear interest in excess of the Maximum Interest Rate.

(c) The Commercial Paper Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form; registered, as designated by the Dealer (subject to Section 2.09), shall be issued in denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof; and interest, if any, on the Commercial Paper Notes shall be separately stated by rate and amount on the face of each Commercial Paper Note. Commercial Paper Notes shall bear interest from their respective dates, payable on their respective maturity dates; provided, however, that Series B Notes may be issued bearing no interest and sold at a discount.

(d) Except as provided in subsection (e) of this Section, the Commercial Paper Notes (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), (ii) shall mature and become due and payable on such dates as the Dealer shall determine at the time of sale but in any event not more than 270 days after their respective dates or later than the Termination Date, (iii) shall be sold at a price of not less than 100% of the principal amount thereof and (iv) shall mature on a Business Day. The stated interest rate, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this First Supplemental Subordinate Indenture, shall be as set forth in the Instructions required by Section 2.07 hereof directing the issuance of such Commercial Paper Note. Interest, if any, on a Commercial Paper Note shall cease to accrue interest on the Maturity Date.

(e) Notwithstanding any other provisions of this Section, the Series B Notes may be issued and sold at a price less than the principal amount thereof, as determined by the Dealer and approved by a Designated Representative at the time any Series B Notes are issued, and interest, if any, payable on Series B Notes shall accrue from their respective dates, and be payable at maturity, and shall be calculated on the basis of a 360-day year and actual number of days elapsed.

(f) The Commercial Paper Notes shall not be subject to redemption prior to maturity.

(g) Within each Series, the Commercial Paper Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provision for numbering, including additional subseries, prefixes and suffixes, as it may deem appropriate. Each Series of Notes authorized hereunder may be issued from time to time in separate subseries as determined by the City for each Dealer.

(h) Commercial Paper Notes which are issued to finance Series A Projects shall be designated as Series A Notes and, except as otherwise provided herein, Commercial Paper Notes issued to refinance Series A Notes shall be designated as Series A Notes. Commercial Paper Notes which are issued to finance Series B Projects shall be designated as Series B Notes and, except as otherwise provided herein, Commercial Paper Notes issued to refinance Series B Notes shall be designated as Series B Notes.

(i) On the Closing Date the City will issue the Bank Note in order to evidence the obligation of the City to reimburse the Bank for Drawings under the Letter of Credit, together with interest thereon from time to time at the rates and times established in accordance with the Reimbursement Agreement. Principal and interest on the Bank Note shall be payable in accordance with the Reimbursement Agreement.

(j) The Commercial Paper Notes, the Bank Note and the Payment Obligations shall constitute Subordinate Obligations within the meaning of the Master Subordinate Indenture and the Series A Notes and the Series B Notes, collectively, shall constitute a single Commercial Paper Program within the meaning of the Master Subordinate Indenture.

Section 2.02. Payment. The City, as provided in Section 5.01 of the Master Subordinate Indenture, covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Revenues or other sources of funds to the extent thereof the principal of and interest on every Commercial Paper Note on the Maturity Date thereof. Unless interest is otherwise permitted to be financed from the proceeds of Commercial Paper Notes by the terms and provisions of the Tax Certificate, the City will make all payments of interest directly to the Trustee in immediately available funds on or prior to 1:00 p.m., New York City time, and, to the extent Advances made by a Credit Provider for the purpose of paying principal of maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of maturing Commercial Paper Notes, all principal payments directly to the Issuing and Paying Agent, as agent of the Trustee, in immediately available funds on or prior to 2:30 p.m., New York City time, on the date payment is due on any Commercial Paper Note. To the extent principal of and/or interest on Commercial Paper Notes is paid with an Advance and there are not sufficient Note Proceeds from Commercial Paper Notes issued on such date to reimburse the Credit Provider, then the Trustee is authorized and directed to use amounts paid by the City to reimburse the Credit Provider. The principal of and the interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. Except as otherwise provided in Section 2.09, the principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent by 3:00 p.m. New York City time on any Business Day upon which such Commercial Paper Notes have become due and payable provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Except as otherwise provided in Section 2.09, upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 10:00 a.m. (New York City time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds by 3:00 p.m. (New York City time) on such Business Day. If a Commercial Paper Note is presented for payment after 10:00 a.m. (New York City time) on a Business Day, payment therefor shall be made by the Issuing and Paying Agent by 3:00 p.m. (New York City time) on the next succeeding Business Day without the accrual of additional interest thereon.

On each Maturity Date, principal and interest on maturing Commercial Paper Notes shall be paid solely from the following sources in the priority listed: (a) first, from amounts paid to the

Issuing and Paying Agent under the Letter of Credit; (b) second, from the proceeds of Commercial Paper Notes; and (c) third, from Subordinate Revenues.

Section 2.03. Execution of Commercial Paper Notes. The Commercial Paper Notes shall be executed on behalf of the City by the manual or facsimile signature (except in the case of Master Notes, which shall be executed by manual signature) of the City Manager, Director of Financial Management, the City Treasurer or by such other officer as the City Council shall, by resolution adopted by a majority vote, authorize and designate for the purpose and its corporate seal (which may be a facsimile) shall be thereunto affixed, imprinted or engraved and attested by the manual or facsimile signature of the City Clerk (except in the case of Master Notes, which shall be executed by manual signature).

It shall not be necessary that the same officer sign all of the Commercial Paper Notes that may be issued hereunder at any one time or from time to time.

Section 2.04. Authentication of Commercial Paper Notes. The Issuing and Paying Agent is, by this First Supplemental Subordinate Indenture, designated by the City as an authenticating agent for the Commercial Paper Notes and shall authenticate and deliver Commercial Paper Notes in accordance with the terms of Section 2.07 hereof. Notwithstanding anything herein to the contrary, the Issuing and Paying Agent shall not authenticate Commercial Paper Notes which mature later than the Termination Date, and the Issuing and Paying Agent shall not authenticate Commercial Paper Notes if a Specified Event of Default then exists of which it has actual knowledge or the Issuing and Paying Agent has received written notice from the Bank that a Reimbursement Agreement Event of Default has occurred and is continuing under the Reimbursement Agreement.

Section 2.05. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series A Notes and Series B Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit A-1 and A-2 attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as the officer executing such Commercial Paper Notes shall deem appropriate in order to accomplish the purpose of the transaction authorized by the Master Subordinate Indenture and this First Supplemental Subordinate Indenture, the execution thereof to be conclusive evidence of such approval; provided, however, that such changes shall be within the scope of the transactions authorized by the Master Subordinate Indenture and this First Supplemental Subordinate Indenture. Notwithstanding any other provisions of this First Supplemental Subordinate Indenture, the City may deliver the Commercial Paper Notes in the form of a Master Note representing the Commercial Paper Notes of any Series to be issued from time to time, each maturing no later than the date which is five (5) days prior to the Expiration Date. Each Master Note may be replaced by a new Master Note having a later maturity date so long as the maturity date thereof does not extend beyond the fifth (5th) day prior to the Expiration Date, as the same may be extended from time to time. Each Master Note shall evidence indebtedness of the City as set forth in the Advices. Each Advice shall have the limitations on Notes set forth in Sections 2.01 and 2.07. The aggregate indebtedness under the Master Notes shall at all times equal or be less than the Stated Amount. References herein to Commercial Paper Notes when a Master Note has been issued therefor shall refer to the indebtedness under the Master Note or the Advices issued with respect thereto.

The Commercial Paper Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 2.06. Series and Commercial Paper Programs. The City may issue Commercial Paper Notes under this First Supplemental Subordinate Indenture as Series A Notes and Series B Notes.

Series A Notes shall be issued hereunder to pay Project Costs of any Series A Projects, to pay the principal of and, subject to the terms and provisions of the Tax Certificate, interest on maturing Series A Notes (or Series B Notes, provided the City receives an Opinion of Bond Counsel prior to such issuance) of the same Commercial Paper Program, and/or to pay Advances made in connection with the payment of Series A Notes of the same Commercial Paper Program. If the City issues Series A Notes hereunder, then such Commercial Paper Notes shall bear the designation "Series A-n," where "n" denotes the number of the applicable commercial paper "program" as described in the Tax Certificate.

Series B Notes shall be issued hereunder to pay Project Costs of any Series B Projects, to pay the principal of and interest on any maturing Commercial Paper Notes, and/or to pay Advances made in connection with the payment of any Commercial Paper Notes. If the City issues Series B Notes hereunder, then such Commercial Paper Notes shall bear the designation "Series B."

All Series A Notes issued hereunder shall be issued pursuant to a commercial paper "program" established in accordance with the Tax Certificate. On or before the date on which the City first issues Series A Notes of a commercial paper "program," it shall obtain an Opinion of Bond Counsel to the effect that the issuance of such Series A Notes will not (a) adversely affect the exclusion of interest on the Outstanding Series A Notes from gross income for federal income tax purposes and (b) if Series A Notes are Outstanding, cause such Series A Notes to become subject to the alternative minimum tax under the Code.

Section 2.07. Conditions Precedent to Delivery of Commercial Paper Notes.

(a) Except as provided in subsection (f) of this Section 2.07 in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09, Commercial Paper Notes shall be executed at any time and from time to time by the City and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the City. Subject to the provisions of Section 2.01 hereof and paragraphs (b), (c) and (d) of this Section 2.07 and Section 2.09, at any time and from time to time prior to the Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of Instructions, no later than 12:45 p.m. (New York City time) on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver same to the Dealer. The Instructions shall be in substantially the form set forth in the Dealer Agreement and shall include: the applicable

purchaser, the applicable commercial paper “program” numerical modifier for the Commercial Paper Notes to be issued, the applicable Series and subseries, if any, designations, the principal amounts thereof, the purchase price thereof, the date(s) of issuance thereof, the maturities thereof, the rate(s) of interest, if any, thereon, the price or yields therefor, and any other terms and conditions which are hereby authorized and permitted to be fixed by a Dealer at the time of sale of such Commercial Paper Notes.

Except as provided in subsection (f) of this Section 2.07 in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09, upon receipt of such Instructions (which may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Series A Note or each Series B Note then to be delivered as to amount, date, maturity date, interest rate and interest amount, if any, specified in such Instructions, and purchase price, and authenticate each such Commercial Paper Note and deliver it to the Dealer upon receipt of payment therefor; provided, however, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (i) such delivery would result in the aggregate principal amount of Commercial Paper Notes Outstanding being in excess of the Available Authorized Amount and (ii) if such delivery would result in the aggregate principal amount of Outstanding Commercial Paper Notes, plus the aggregate amount of interest due on all Outstanding Commercial Paper Notes at the maturity thereof, being in excess of the Stated Amount. No such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from an Authorized City Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default shall have occurred and be continuing, (C) it shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the applicable Commercial Paper Notes from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of such Commercial Paper Notes would extend beyond the Termination Date or beyond 270 days from the respective dates of authentication and issuance of such Commercial Paper Notes, (E) the Trustee and the Issuing and Paying Agent shall have received a Stop Issuance Notice from the Bank stating that a Reimbursement Agreement Event of Default exists and is continuing and instructing that no additional Commercial Paper Notes be issued until further written notice from the Bank, or (F) the Trustee, pursuant to Section 3.05(g), (h) and (i), has not confirmed to the Issuing and Paying Agent and the Bank that it holds in the appropriate Credit Facility Account for the sole benefit and use of the Bank an amount equal to all Drawings. The Trustee shall give such confirmation to the Issuing and Paying Agent promptly after the occurrence of such events by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing. In addition, the Issuing and Paying Agent shall, by 2:00 p.m. New York City time on such day, transmit by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing, to the City, the Trustee and the Credit Provider the contents of the Instructions. If Instructions are received after 12:45 p.m. New York City time on a given day, the Issuing and Paying Agent shall not be

obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

Notwithstanding this Section 2.07, in the event an unreimbursed Drawing is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Commercial Paper Notes exceeding the Stated Amount if, upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall have sufficient funds immediately available to reimburse the Bank for an unreimbursed Drawing equal to such principal amount and the Issuing and Paying Agent shall have received written confirmation from the Bank that upon such reimbursement, the Letter of Credit will be reinstated to an amount sufficient to pay when due all of the principal and interest on such Commercial Paper Notes and any other Commercial Paper Notes then Outstanding. Upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall promptly notify the Bank that it is holding such proceeds in trust for, and shall be immediately wiring the same to, the Bank.

The City shall, upon a change in the identity of its Authorized City Representatives or Designated Representative, provide an incumbency certificate for each new Authorized City Representative or Designated Representative to the Issuing and Paying Agent and the Dealer.

A copy of each Commercial Paper Note authenticated by the Issuing and Paying Agent shall be promptly mailed by U.S. mail, first class, postage prepaid, to the City and the Trustee by the Issuing and Paying Agent. The Issuing and Paying Agent shall furnish the City with such additional information with respect to the carrying out of its duties hereunder as the City from time to time shall reasonably request.

(b) At any time after the execution of the Master Subordinate Indenture and this First Supplemental Subordinate Indenture, the City may determine to issue Commercial Paper Notes authorized by the Master Subordinate Indenture and this First Supplemental Subordinate Indenture in accordance with telephonic, computer or written delivery by a Designated Representative of a Notice of Issuance of Commercial Paper Notes to the Dealer and the Credit Provider. Such Notice of Issuance of Commercial Paper Notes shall be in substantially the form set forth herein as Exhibit F. The Dealer is hereby authorized to issue Instructions to the Issuing and Paying Agent and the Issuing and Paying Agent is hereby authorized to issue Advices to the Depository.

(c) Any Instructions made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and shall be confirmed promptly in writing by a Dealer; provided, however, that the failure so to confirm any such Instructions, or any conflict between any such recorded oral Instructions and the written confirmation thereof, shall not affect the validity of any recorded oral Instructions received by the Issuing and Paying Agent provided herein. If the Issuing and Paying Agent does not record an oral Instruction, and a conflict exists between such oral Instructions and the written confirmation thereof, the terms of the written confirmation shall control.

(d) Prior to the initial delivery of the Commercial Paper Notes under this First Supplemental Subordinate Indenture and as a condition to such initial issuance, the Issuing and Paying Agent and the City shall be notified by the Trustee that the Trustee has received:

(i) A fully executed counterpart of the Reimbursement Agreement;

(ii) The executed Letter of Credit; and

(iii) The opinions of counsel to the Bank, addressed to the City, the Issuing and Paying Agent, and the Trustee, to the effect that the Letter of Credit is a valid and binding obligation of the Bank, enforceable in accordance with its terms.

(e) The City understands that although the Issuing and Paying Agent has been instructed and has agreed to deliver the Commercial Paper Notes against payment, delivery of the Commercial Paper Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Commercial Paper Note to the Dealer or their agent, as provided in subsection (a), the City agrees to bear the risk that the Dealer or their agent shall fail to remit payment for the Commercial Paper Note to the Issuing and Paying Agent. The Issuing and Paying Agent shall have no liability to the City for any failure or inability on the part of the Dealer to make payment for the Commercial Paper Notes. It is understood that each delivery of Commercial Paper Notes hereunder shall be subject to the rules of the New York Clearing House in effect at the time of such delivery and, in accordance therewith, Commercial Paper Notes are to be delivered by 2:15 p.m. (New York City time).

(f) So long as any Master Note is held by the Depository as provided in Section 2.09, the Issuing and Paying Agent shall deliver Commercial Paper Notes thereunder in accordance with the terms of the Letter of Representations and the Certificate Agreement.

Section 2.08. Extension of Program Termination Date. Prior to the Program Termination Date (as it may be extended from time to time as herein provided), so long as no Specified Event of Default shall have occurred and be continuing, the City and the Trustee with the written consent of the Issuing and Paying Agent may enter into a Supplemental Subordinate Indenture or Supplemental Subordinate Indentures extending the Program Termination Date for such period as shall be requested by the City; provided, however, that no Supplemental Subordinate Indenture extending the Program Termination Date shall be effective until there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that (a) the Supplemental Subordinate Indenture has been duly authorized, executed and delivered by the City and constitutes the valid and binding obligation of the City and (b) that Commercial Paper Notes issued after such extension will be validly issued and such opinion shall describe the tax treatment of the interest on the Commercial Paper Notes after such extension.

Section 2.09. Master Note; Registration of Notes.

(a) *Original Delivery.*

(i) Each Series of Commercial Paper Notes shall be initially delivered in the form of a Master Note registered in the name of the Depository or its Nominee, or any successor or assignee.

(ii) The Issuing and Paying Agent shall maintain such books, records and accounts as may be necessary to evidence the obligations of the City resulting from each Master Note and each Advice delivered by the Issuing and Paying Agent, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time thereunder. In any legal action or proceeding in respect of a Master Note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the City therein recorded.

(iii) The Issuing and Paying Agent may treat and consider the person in whose name each Commercial Paper Note is registered as the absolute owner of such Commercial Paper Note for the purpose of payment of principal and interest on such Commercial Paper Note, for the purpose of giving notices and other matters with respect to such Commercial Paper Note, for the purpose of registering transfers of ownership of such Commercial Paper Note, and for all other purposes whatsoever. The Issuing and Paying Agent shall pay the principal of and the interest on the Commercial Paper Notes only to the respective Owners of the Commercial Paper Notes or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. No person other than the Owner of a Commercial Paper Note shall receive a Commercial Paper Note evidencing the obligation of the City to make payments of principal and interest pursuant to this First Supplemental Subordinate Indenture.

(b) ***Certificate Agreement and Letter of Representations.*** The Issuing and Paying Agent is hereby authorized and directed to execute and deliver to DTC a commercial paper certificate agreement (the “Certificate Agreement”) and a Letter of Representations substantially in the forms provided by DTC in order to provide for the issuance of the Master Notes and the Advices relating thereto and to qualify for the Depository’s book-entry only system. Notwithstanding any other provision of this First Supplemental Subordinate Indenture and so long as all outstanding Commercial Paper Notes are registered in the name of Cede & Co. as nominee of DTC or its registered assigns, the City and the Issuing and Paying Agent shall cooperate with DTC, as sole Registered Owner of the Commercial Paper Notes, and its registered assigns, in effecting payment of the principal of and interest on the Commercial Paper Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Letter of

Representations, the provisions of which the Issuing and Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein. Notwithstanding the effectiveness of the Letter of Representations and a book-entry system with respect to the Commercial Paper Notes, the Issuing and Paying Agent shall (i) furnish to the Bank and the Dealer a copy of each notice or other communication provided or required to be provided to Owners pursuant to this First Supplemental Subordinate Indenture, and (ii) ensure that amounts drawn under the Letter of Credit are applied in accordance with the provisions of this First Supplemental Subordinate Indenture.

(c) ***Transfers Outside Book-Entry System.***

(i) In the event that either (A) the Depository determines not to continue to act as Depository for the Commercial Paper Notes, or (B) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Issuing and Paying Agent in the issuance of replacement Commercial Paper Notes by providing the Issuing and Paying Agent with a list showing the interests of the Depository System Participants in the Commercial Paper Notes, and by surrendering such Commercial Paper Notes registered in the name of the Nominee to the Issuing and Paying Agent on or before the date such replacement Commercial Paper Notes are to be issued. The Depository by accepting delivery of such Commercial Paper Notes, agrees to be bound by the provisions of this subsection 2.09(c). If, prior to the termination of the Depository acting as such, the City fails to identify another qualified securities depository to replace the Depository, then the Commercial Paper Notes shall no longer be required to be re-registered in the name of the Nominee, but shall be re-registered in whatever name or names the Owners of the Commercial Paper Notes transferring or exchanging Commercial Paper Notes shall designate, in accordance with the provisions of this Section 2.09.

(ii) In the event the City determines that it is in the best interests of the beneficial owners of the Commercial Paper Notes that they be able to obtain certificated Commercial Paper Notes, the City may notify the Depository System Participants of the availability of such certificated Commercial Paper Notes through the Depository. In such event, the City will issue and deliver to the Issuing and Paying Agent and the Issuing and Paying Agent will transfer and exchange Commercial Paper Notes as provided in this Article II and as required by the Depository and others in appropriate amounts, and whenever the Depository in taking appropriate action (A) to make available one or more separate certificates evidencing the Series A Notes or the Series B Notes, as the case may be, to any Depository System Participant having such Commercial Paper Notes credited to its account with the Depository, or (B) to arrange for another qualified securities depository to maintain custody of a single certificate evidencing the Series A Notes or the Series B Notes, as the case may be, all at the City's expense.

(d) ***Payments to the Nominee.*** Notwithstanding any other provision of this First Supplemental Subordinate Indenture to the contrary, so long as the Series A Notes or the Series B Notes are issued in the form of the Master Notes, all payments with respect to principal of and interest on such Commercial Paper Notes and all notices with respect to such Commercial Paper Notes shall be made and given, respectively, as provided in the Letter of Representations described in subsection 2.09(b) or as otherwise instructed in writing by the Depository.

(e) ***Registration of Commercial Paper Notes.***

(i) Any Commercial Paper Note may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to subparagraph (iii) below by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Commercial Paper Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Issuing and Paying Agent.

(ii) Whenever any Commercial Paper Note or Commercial Paper Notes shall be surrendered for transfer, the City shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Commercial Paper Note or Commercial Paper Notes, of the same tenor, maturity and interest rate and for a like aggregate principal amount. The Issuing and Paying Agent shall require the Owner of the Commercial Paper Note requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

(iii) The Issuing and Paying Agent will keep or cause to be kept at its corporate trust office sufficient books for the registration and transfer of Commercial Paper Notes, which shall at all times be open to inspection during normal business hours by the City upon reasonable prior notice, and upon presentation for such purpose, the Issuing and Paying Agent shall, under reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on such books the Commercial Paper Notes, as herein provided.

ARTICLE III

APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS

Section 3.01. Creation of Debt Service Fund. There is hereby created by the City the Commercial Paper Notes Debt Service Fund (the "Debt Service Fund") which shall be maintained with the Trustee. The Issuing and Paying Agent, as agent to the Trustee, shall establish within the Debt Service Fund a Series Account for each Series of Commercial Paper Notes and, within the Series Account for the Series A Notes, a Program Subaccount for each commercial paper "program" as defined in the Tax Certificate (as specified in writing by the City to the Trustee and the Issuing and Paying Agent) and shall also establish a Series A Credit Facility Account and a Series B Credit Facility Account, each of which shall be maintained by

the Trustee in trust for the benefit of the holders from time to time of the Commercial Paper Notes and for the benefit of the Credit Provider.

Section 3.02. Creation of Construction Fund. There is hereby created by the City the Commercial Paper Notes Construction Fund (the “Construction Fund”) which shall be held by the Trustee. There are hereby created and established within the Construction Fund two separate trust accounts to be known as the Series A Project Account and the Series B Project Account and, within the Series Project Account for the Series A Notes, a Program Subaccount for each commercial paper “program” as defined in the Tax Certificate. The City shall deposit all amounts received pursuant to Section 3.03 hereof from the sale of Commercial Paper Notes into the applicable Series Project Account for such Commercial Paper Notes and, in the case of proceeds of Series A Notes, transfer such proceeds to the applicable Program Subaccount for such Commercial Paper Notes.

Section 3.03. Deposit of Proceeds of Commercial Paper Notes. Upon receipt from the Dealer, the Issuing and Paying Agent shall transfer or cause to be transferred the proceeds from the sale of Commercial Paper Notes to the Trustee immediately upon receipt thereof. The proceeds from the sale of the Series A Notes shall be applied by the Trustee for deposit first into the Series A Credit Facility Account of the Debt Service Fund in an amount equal to the Advance made by the Bank to pay maturing Series A Notes and second, to the extent any excess remains, into the Series A Project Account and/or Program Subaccount, if any, in the Construction Fund established for Commercial Paper Notes of that Series, and expended therefor in accordance with the provisions of Section 3.05 hereof.

The proceeds from the sale of the Series B Notes shall be applied by the Trustee for deposit first into the Series B Credit Facility Account of the Debt Service Fund in an amount equal to the Advance made by the Bank to pay maturing Series B Notes and second, to the extent any excess remains, into the Series B Project Account if any, in the Construction Fund established for Commercial Paper Notes of that Series, and expended therefor in accordance with the provisions of Section 3.05 hereof. Notwithstanding the prior sentence, subsequent to the deposit to the Series B Credit Facility Account of the Debt Service Fund, at the direction of the City, the Trustee shall deposit any excess into the Series A Credit Facility Account of the Debt Service Fund to be applied to pay any Advances made by the Bank to pay maturing Series A Notes.

Section 3.04. Deposits Into the Debt Service Fund; Use of the Debt Service Fund.

(a) Unless interest is otherwise permitted to be financed from the proceeds of Commercial Paper Notes by the terms and provisions of the Tax Certificate, on or before 1:00 p.m., New York City time, on the Maturity Date of each Series A Note, the City shall deposit with the Trustee for deposit in the Series A Credit Facility Account, the total amount of interest due on all Series A Notes on such Maturity Date. On or before 2:00 p.m., New York City time, on the Maturity Date of each Series A Note, the City shall deposit with the Issuing and Paying Agent, as agent for the Trustee, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent pursuant to Section 3.04(d) and (g) herein, to pay principal due on all Series A Notes on such Maturity Date. The Trustee shall notify the City on or before 5:00 p.m., New York

City time, on the day prior to such Maturity Date, the total amount due on such Maturity Date.

(b) On or before 1:00 p.m., New York City time, on the Maturity Date of each Series B Note, the City shall deposit with the Trustee for deposit in the Series B Credit Facility Account, the total amount of interest due, if any, on all Series B Notes on such Maturity Date. On or before 2:00 p.m., New York City time, on the Maturity Date of each Series B Note, the City shall deposit with the Issuing and Paying Agent, as agent of the Trustee, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent pursuant to Section 3.04(f) and (i) herein, to pay principal and interest due on all Series B Notes on such Maturity Date. The Trustee shall notify the City on or before 5:00 p.m., New York City time, on the day prior to such Maturity Date, the total amount due on such Maturity Date.

(c) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series A Notes shall be deposited into the appropriate Program Subaccount of the Series A Debt Service Account of the Debt Service Fund and used to pay the principal of and interest on such maturing Series A Notes upon proper presentment thereof. The Issuing and Paying Agent shall promptly notify the Trustee (which notice may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing) upon receipt of such Advance that it has received such Advance and the amount of such Advance.

(d) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series B Notes shall be deposited into the Series B Debt Service Account of the Debt Service Fund and used to pay the principal of and interest on such maturing Series B Notes upon the proper presentment thereof. The Issuing and Paying Agent shall promptly notify the Trustee (which notice may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing) upon receipt of such Advance that it has received such Advance and the amount of such Advance.

(e) Amounts deposited into the Series A Credit Facility Account shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the appropriate Program Subaccount of the Series A Debt Service Account, by the Trustee to reimburse the Bank for the amount of such Advance immediately upon receipt of the notice described in Section 3.04(d) herein; provided, however, if, on any Maturity Date of the Series A Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series A Notes on such date, amounts in the Series A Credit Facility Account shall be transferred by the Trustee to the Issuing and Paying Agent to be used to make the balance of such payment. Prior to transferring such money to the Bank, the Trustee shall give written notice to the Bank and the Issuing and Paying Agent of its receipt of sufficient moneys to reimburse the Bank for the Advances.

(f) Amounts deposited into the Series B Credit Facility Account shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series B Debt Service Account, by the Trustee to reimburse the Bank for the amount of such Advance immediately upon receipt of the notice described in Section 3.04(f) herein; provided, however, if, on any Maturity Date of the Series B Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series B Notes on such date, amounts in the Series B Credit Facility Account shall be transferred by the Trustee to the Issuing and Paying Agent to be used to make the balance of such payment. Prior to transferring such money to the Bank, the Trustee shall give written notice to the Bank and the Issuing and Paying Agent of its receipt of sufficient moneys to reimburse the Bank for the Advances.

(g) Moneys in the Debt Service Fund shall not be invested.

(h) Any lien that the Issuing and Paying Agent and the Trustee may have on Advances made by the Bank under the Letter of Credit and Note Proceeds shall be expressly subordinate to the lien on such funds created for the benefit of the holders of the Commercial Paper Notes and the Bank.

Section 3.05. Application of Moneys in the Construction Fund.

(a) Except as provided in this Section, (i) moneys deposited in any Program Subaccount of the Series A Project Account in the Construction Fund shall be withdrawn from time to time as directed in writing by an Authorized City Representative solely to pay the Project Costs of Series A Projects, and (ii) moneys deposited in the Series B Project Account in the Construction Fund shall be withdrawn from time to time as directed in writing by an Authorized City Representative to pay the Project Costs of any Commercial Paper Project.

(b) The Trustee shall make payments or disbursements from the Construction Fund upon receipt of a written requisition executed by an Authorized City Representative, which requisition shall state, with respect to each amount requested thereby, (i) the Series Project Account and, if applicable, the Program Subaccount from which such payment is to be made, (ii) the number of the requisition from such account, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made, which may be the City in the case of reimbursement for costs theretofore paid by the City, (iv) the identity of the Commercial Paper Project to which such payment corresponds, and (v) if applicable, that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate.

(c) If, at any time, the City determines that (i) no additional Commercial Paper Notes shall be issued under this First Supplemental Subordinate Indenture to finance Commercial Paper Projects and (ii) that all Commercial Paper Projects which, prior to such time, have been financed and completed, then any amount remaining in any Series Project Account or Program Subaccount within the Construction Fund that are not necessary for the payment of Project Costs, shall first be disbursed by the Trustee to any

Credit Provider to the extent necessary to reimburse such Credit Provider for any Advances or pay such Credit Provider for any other outstanding Payment Obligations, and then may, at the determination of the City, be disbursed by the Trustee upon written requisition of an Authorized City Representative for any other lawful purpose designated in such requisition and for which purpose such proceeds may be used under the Act. As a condition to the disbursement of funds to the City under this Section 3.05(c), there shall be delivered to the Trustee with the requisition an Opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the Act and that such use shall not result in the inclusion of interest on any Series A Notes in gross income of the recipient thereof for federal income tax purposes.

(d) The City may from time to time amend the list of Commercial Paper Projects included in Exhibits C and/or D hereto by delivering to the Trustee (i) a new form of Exhibit C if Exhibit C is then being revised and a new form of Exhibit D if Exhibit D is then being revised clearly indicating those items which are being added as Commercial Paper Projects; and (ii) with respect to amendments of Exhibit C, an Opinion of Bond Counsel to the effect that financing of the items listed on Exhibit C, as amended, in addition to or in substitution for those items previously listed on Exhibit C will not cause interest on the Series A Notes to be included in the gross income of the recipient thereof, will not cause interest on the Series A Notes to be an item of tax preference for purposes of calculating the alternative minimum tax for purposes of the Code and the financing of such items is permitted under the Act and has been authorized by the City.

Section 3.06. Credit Facility; Drawings Under the Letter of Credit. Commercial Paper Notes may be executed or delivered hereunder from time to time with or without the support of a Credit Facility or Credit Facilities; provided, however, that prior to issuing any Commercial Paper Notes without the support of a Credit Facility, the City shall provide notice and prepare a new offering memorandum.

In addition, to the extent that the payment of principal of and/or interest on any Commercial Paper Notes is supported, in whole or in part, by a Credit Facility or Credit Facilities, the City may, subject to the terms of this First Supplemental Subordinate Indenture, by Supplemental Subordinate Indenture, replace such Credit Facility or Credit Facilities with a substitute Credit Facility or substitute Credit Facilities provided by a substitute Credit Provider or substitute Credit Providers, provided that the City shall have received written confirmation from the Rating Agencies that such action, in and of itself, shall not result in the withdrawal, suspension or lowering of the then current ratings on such Commercial Paper Notes.

The City designates the Letter of Credit as the initial Credit Facility. On or before 10:00 a.m. New York City time, on the Maturity Date for any Commercial Paper Note, the Issuing and Paying Agent shall present all required drawing certificates and accompanying documentation, if required, to the Bank and demand payment be made directly to the Issuing and Paying Agent under the Letter of Credit on or prior to 1:00 p.m., New York City time, on such Maturity Date of an amount sufficient to pay the entire amount of principal and interest becoming due on all Commercial Paper Notes on such date, but not more than the Stated Amount.

Section 3.07. Investment of Moneys in Funds and Accounts. Except for the Debt Service Fund, all moneys in any of the funds, subfunds, Series Accounts and Program Subaccounts held by the Trustee and the Issuing and Paying Agent and established pursuant to this First Supplemental Subordinate Indenture shall be invested solely in Permitted Investments maturing or available not later than the date on which it is estimated that such moneys will be required.

Unless an Authorized City Representative directs such investment earnings to be deposited directly into the Rebate Fund or as otherwise provided in the Tax Certificate, all interest, profits and other income received from the investment of moneys in any fund, subfund, account or Program Subaccount shall remain in and be credited to such fund, subfund, account or Program Subaccount. In addition, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund, subfund, account or Program Subaccount from which such accrued interest was paid.

The Trustee may, subject to the terms of the Tax Certificate, commingle any of the moneys on deposit in any of the funds, subfunds, accounts or Program Subaccounts established pursuant to this First Supplemental Subordinate Indenture into a separate fund or funds for investment purposes only, provided that all funds, subfunds, accounts and Program Subaccounts held by the Trustee hereunder shall be accounted for separately as required by this First Supplemental Subordinate Indenture. The Trustee may sell or present for redemption any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund, subfund, account or Program Subaccount to which such Permitted Investment is credited.

The Trustee shall keep or cause to be kept proper books of record and accounts containing complete and correct entries of all transactions made by the Trustee, respectively, relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Commercial Paper Notes, including moneys derived from, pledged to, or to be used to make payments on the Commercial Paper Notes. Such records shall specify the fund, subfund, account or Program Subaccount to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each Permitted Investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition of disposition or maturity.

ARTICLE IV

PLEDGE AND PAYMENT

The Commercial Paper Notes are Subordinate Obligations and, as such, are special limited obligations of the City secured by a pledge of and shall be a lien upon and shall be payable, as to the principal thereof and interest thereon, solely from the funds, assets and security described hereunder and under the Master Subordinate Indenture.

The City hereby pledges, places a lien upon and assigns Subordinate Revenues to secure the payment of the principal of and interest on the Commercial Paper Notes and any Payment Obligations in accordance with their terms. The Subordinate Revenues constitute a trust fund for the security and payment of the Payment Obligations, the interest on and principal of the Commercial Paper Notes and other parity obligations, and the holders of the Commercial Paper Notes and the holders from time to time of the other Subordinate Obligations of the City and any other future parity Subordinate Obligations shall share *pari passu* without priority or distinction of one over the other in the Subordinate Revenues.

To provide additional security for the payment of the Payment Obligations and the principal of and interest on each Commercial Paper Note as the same shall become due and payable, the City hereby pledges and grants a lien upon, subject only to the provisions of this First Supplemental Subordinate Indenture and the Tax Certificate permitting the application thereof for purposes and on the terms and conditions set forth herein and therein, (a) the proceeds from the sale of other Commercial Paper Notes issued pursuant to this First Supplemental Subordinate Indenture for the purpose of refunding such Commercial Paper Note, (b) amounts held for the payment of such Commercial Paper Note by the Trustee and the Issuing and Paying Agent in the Debt Service Fund, (c) amounts held for the payment of such Commercial Paper Note by the Trustee in the Construction Fund, (d) the proceeds of any other evidences of indebtedness of the City issued or incurred solely for the payment of principal of and interest on such Commercial Paper Note, (e) any other moneys of the City hereafter pledged by the City to the payment of principal of and interest on such Commercial Paper Note and (f) the proceeds of any Advances made under a Credit Facility or Credit Facilities for the payment of such Commercial Paper Note.

To the extent the Payment Obligations and the principal of and interest on Commercial Paper Notes are not to be paid from the sources described in clauses (a) through (f) above, the City Treasurer shall, subject to the rights set forth in the Master Subordinate Indenture of any holder of Subordinate Obligations or parity obligations to share in the same, transfer from the Enterprise Fund to the applicable Series Account (and, in the case of Series A Notes, the applicable Program Subaccount) within the Debt Service Fund, Subordinate Revenues or other moneys of the City in amounts sufficient to pay the Payment Obligations and the principal of and interest on such Commercial Paper Notes as the same become due and payable.

ARTICLE V

ISSUING AND PAYING AGENT; DEALER

Section 5.01. Issuing and Paying Agent. The City hereby appoints Deutsche Bank National Trust Company, as Issuing and Paying Agent and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the City will enter into the Issuing and Paying Agent Agreement and the City will at all times prior to the Termination Date maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to hold funds, as provided in this First Supplemental Subordinate Indenture, and fulfill the duties and obligations of the Issuing and Paying Agent as set forth in this First Supplemental Subordinate Indenture.

The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this First Supplemental Subordinate Indenture by giving at least 30 days' written notice to the Credit Provider, the Trustee, the Dealer and the City. The Issuing and Paying Agent may be removed at any time by an instrument signed by an Authorized City Representative and filed with the Issuing and Paying Agent, the Credit Provider, the Dealer and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder. So long as the Letter of Credit is in effect or any Payment Obligations remain outstanding under the Reimbursement Agreement, no appointment of a successor Issuing and Paying Agent shall become effective without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys and the Letter of Credit held by it in such capacity to its successor.

The Issuing and Paying Agent shall, at all times, be a bank or trust company having a corporate trust office in either Los Angeles, California or New York, New York and shall at all times be a corporation or a national banking association organized and doing business under the laws of the United States of America or of any state with a combined capital and surplus of at least \$100,000,000 and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation or national banking association into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of any Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under this Section, without the execution or filing of any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

Section 5.02. Dealer. The City hereby appoints Lehman Brothers Inc. as the initial Dealer and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the City will enter into a Dealer Agreement with the Dealer and the City will at all times prior to the Termination Date maintain in effect a Dealer Agreement, pursuant to which the Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this First Supplemental Subordinate Indenture.

Any Dealer may at any time resign and be discharged of the duties and obligations created by this First Supplemental Subordinate Indenture by giving at least 60 days' written notice to the Bank, the Trustee, the Issuing and Paying Agent and the City.

ARTICLE VI

TAX COVENANTS

Section 6.01. Rebate Fund. The City hereby agrees that it will enter into the Tax Certificate and will thereunder create the “Commercial Paper Note Rebate Fund” (the “Rebate Fund”), which fund will be held by the Trustee and will be funded by the City, including amounts directed by an Authorized City Representative pursuant to Section 3.07 hereof to be deposited therein, if so required under the Tax Certificate and amounts in such Rebate Fund shall be held and disbursed in accordance with the Tax Certificate.

The Trustee shall establish within the Rebate Fund a Series Account for the Series A Notes and, within each Series Account for the Series A Notes, a Program Subaccount for each commercial paper “program” as described in the Tax Certificate. All money at any time deposited in the Rebate Fund (or any Series Account or Program Subaccount therein) in accordance with the provisions of the Tax Certificate (as hereinafter defined) shall be held by the Trustee in trust for payment to the federal government of the United States of America, the City nor any holder of Commercial Paper Notes shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this First Supplemental Subordinate Indenture and by the Tax Certificate. Money shall not be transferred from the Rebate Fund except in accordance with the Tax Certificate.

Section 6.02. Preservation of Tax Exemption.

(a) The City shall comply with those covenants and agreements set forth in the Tax Certificate.

(b) The Authorized City Representatives shall be responsible for the execution and delivery (on or prior to the date of the initial delivery of the Series A Notes and the dates referred to in the third paragraph of this subsection (b)) of a Tax Certificate that, in a manner satisfactory to Bond Counsel, evidences compliance with the relevant requirements of Sections 103 and 141 through 150 of the Code. The Authorized City Representatives are hereby directed to execute the Tax Certificate and to deliver the same to the Trustee on such dates.

The City shall set forth in the Tax Certificate its reasonable expectations on the date of delivery of the Tax Certificate as to relevant facts, estimates and circumstances relating to the use of the Series A Note Proceeds and any other matters deemed relevant by Bond Counsel. The facts, estimates and circumstances set forth in each Tax Certificate will be in all material respects, to the best of the Authorized City Representative’s knowledge, true and correct as of the respective dates thereof. Neither the City, any present or future individual members of the City Council or the City nor any official, agent or employee thereof shall have any individual liability to any holder of a Series A Note for any statement or matter included in or omitted from any Tax Certificate.

The Tax Certificate delivered on any date with respect to Series A Notes shall be deemed to have been executed as of the date of each subsequent delivery of Series A Notes unless and until the Authorized City Representative shall furnish the Trustee and Bond Counsel a new Tax Certificate. The City hereby covenants that it shall execute and deliver to the Trustee and Bond Counsel in connection with each delivery of Series A Notes a new Tax Certificate at such time as its reasonable expectations as to the use of Series A Note Proceeds change or at such time as Bond Counsel may request. Each Instruction by the Dealer of new Series A Notes shall constitute the reaffirmation by the City as of the date of delivery of such Series A Notes of the facts, estimates and circumstances set forth in the Tax Certificate of most recent date.

(c) The City shall not use or permit the use of any proceeds of the Series A Notes or any other funds of the City held by the Trustee or the Issuing and Paying Agent under this First Supplemental Subordinate Indenture, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the City or the Trustee with respect to the Series A Notes in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Series A Notes to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The City shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations.

In the event Bond Counsel has informed the City that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or the Issuing and Paying Agent or to use such money in certain manners, in order to avoid the Series A Notes being considered “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series A Notes at such time, the City shall issue to the Trustee or the Issuing and Paying Agent a certificate to such effect together with appropriate instructions, in which event the Trustee or the Issuing and Paying Agent, as appropriate, shall take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee or the Issuing and Paying Agent shares such opinion.

Upon the receipt of written advice of Bond Counsel, the City may, and upon receipt of an approving ruling from the Internal Revenue Service or a decision of a court of competent jurisdiction the City shall, issue to the Trustee or the Issuing and Paying Agent a written certificate to the effect that a restriction or limitation on the yield on the investment of any Series A Note Proceeds that was formerly deemed necessary is now removed or modified (along with appropriate written instructions), in which event the City, the Trustee and the Issuing and Paying Agent will take such action as is necessary to so hold and invest the Series A Note Proceeds in accordance with such certificate and instructions. Neither the City, the Trustee, the Issuing and Paying Agent nor any present or future board member, official, officer, agent or employee of any of the foregoing shall incur any liability in connection with any certificate or instructions delivered by the City to the Trustee or the Issuing and Paying Agent as contemplated herein.

(d) The City shall at all times do and perform all acts and things permitted by law and this First Supplemental Subordinate Indenture which are necessary or desirable in order to assure that interest paid on the Series A Notes (or any of them) will not be included in gross income for federal income tax purposes and, with respect to the Series A Notes, will not be treated as a specific item of tax preference for federal income tax purposes, and the City shall take no action that would result in such interest on any Series A Notes being included in gross income for federal income tax purposes or interest on any Series A Notes being treated as a specific item of tax preference.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Substitute Letter of Credit. Notwithstanding anything herein (except as otherwise provided in Section 3.06 hereof) to the contrary, the City may obtain a substitute Letter of Credit to replace the Letter of Credit then in effect hereunder so long as said substitute Letter of Credit shall go into effect at least one Business Day prior to the termination of the Letter of Credit then in effect, the Expiration Date with respect to such substitute Letter of Credit shall be no earlier than the earlier of (i) one year after its date or (ii) the Expiration Date set forth in the Letter of Credit then in effect. The substitute Letter of Credit shall have a Stated Amount (as such term is used in the original Letter of Credit) at least as great as the Letter of Credit being replaced. At any time a Letter of Credit is assigned by one Bank to another Bank, such assignment shall be considered a substitution of the Letter of Credit for purposes of this First Supplemental Subordinate Indenture. The following are further conditions to the Issuing and Paying Agent's ability to release an existing Letter of Credit and accept a substitute Letter of Credit:

(a) The City shall deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Bank, the Holders of the Commercial Paper Notes and the Dealer not less than 30 days prior to the substitution date.

(b) There shall be delivered to the City, the Trustee and the Issuing and Paying Agent written evidence from each Rating Agency then maintaining a rating on the Commercial Paper Notes, that the substitution of such Letter of Credit will not result in any rating then assigned to the Commercial Paper Notes being reduced or withdrawn.

(c) The Issuing and Paying Agent shall publish notice of the substitution of such Letter of Credit in *The Bond Buyer*, or if *The Bond Buyer* is no longer published, in another comparable trade publication of general circulation throughout the United States of America, at least 30 days prior to the substitution date.

(d) An opinion or opinions of counsel to the successor Bank shall be delivered to the effect that the substitute Letter of Credit is a legal and valid obligation of the issuing Bank and is enforceable against the Bank in accordance with its terms.

(e) All Payment Obligations shall have been paid to the existing Bank.

Section 7.02. Rights of Bank. As provided in Article XI of the Master Subordinate Indenture, the Bank is hereby granted:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings provided in Article VIII of the Master Subordinate Indenture to the same extent and in place of the Owners of the Commercial Paper Notes, and, for such purposes, the Bank shall be deemed the exclusive Owner of the Commercial Paper Notes;

(b) the right to act in place of the Owners of the Commercial Paper Notes, for purposes of removing a Trustee or appointing a Trustee under Article IX of the Master Subordinate Indenture; and

(c) the right to consent to Supplemental Subordinate Indentures, which would otherwise require the consent of the Holders of not less than 51% in aggregate Principal Amount of the Commercial Paper Notes, entered into pursuant to Section 10.03 of the Master Subordinate Indenture, except with respect to any amendments described in Sections 10.03(a)(i) through (v) and 10.03(b)(i) or (ii) thereof, which consent of the actual Holders shall still be required, to the same extent and in place of the Owners of the Commercial Paper Notes, and, for such purposes, the Bank shall be deemed the exclusive Owner of the Commercial Paper Notes.

The rights hereby provided to the Bank by this Section shall be disregarded and be of no effect if the Bank has failed to honor a properly presented and conforming Drawing under the Letter of Credit.

Section 7.03. Modification of this First Supplemental Subordinate Indenture. The City may, from time to time and at any time, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending this First Supplemental Subordinate Indenture in the manner set forth in Article X of the Master Subordinate Indenture.

Section 7.04. Payment Obligations Afforded Status of Subordinate Obligations. Pursuant to Section 2.12 of the Master Subordinate Indenture, Payment Obligations owed by the City to the Bank shall be afforded the status of a Subordinate Obligation and the Bank shall be the Subordinate Obligation holder subject to the payment terms established in the Reimbursement Agreement.

Section 7.05. Commercial Paper Notes Not Subject to Acceleration. The Commercial Paper Notes shall, under the provisions of Section 8.02 of the Master Subordinate Indenture, constitute Subordinate Obligations which are not subject to acceleration, and, upon the occurrence of an Event of Default, neither the Trustee nor the holders of the Subordinate Obligations shall be permitted to accelerate the maturity of the Commercial Paper Notes.

Section 7.06. Timeliness of Deposits. Funds shall be deemed transferred for purposes of timeliness of receipt under this First Supplemental Subordinate Indenture when transfer instructions for transfer by federal reserve wire have been given and a federal wire number confirmation has been received; provided that the party to receive such funds shall not be

required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

Section 7.07. Defeasance of Commercial Paper Notes. Commercial Paper Notes shall not be deemed to have been paid in full within the meaning of Article VII of the Master Subordinate Indenture unless payment of the principal and interest either (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and the Master Subordinate Indenture or (b) shall have been provided for by irrevocably depositing with the Issuing and Paying Agent, as agent of the Trustee, in trust and irrevocably setting aside exclusively for such payment (i) Available Moneys sufficient to make such payment and/or (ii) noncallable Federal Securities purchased with Available Moneys, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. Additionally, confirmation from the Rating Agencies that are currently rating the Commercial Paper Notes (such Rating Agencies having been requested by the City to rate the Commercial Paper Notes) shall be required showing that such defeasance of Commercial Paper Notes will not cause the current ratings on the Commercial Paper Notes to be reduced or withdrawn.

Section 7.08. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this First Supplemental Subordinate Indenture or the holders of the Commercial Paper Notes must be in writing, except as expressly provided otherwise, in this First Supplemental Subordinate Indenture or the holders of the Commercial Paper Notes.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when delivered by hand or mailed by certified, registered or first-class mail, postage prepaid, addressed to the City or the Trustee at the addresses provided in the Master Subordinate Indenture and to the Issuing and Paying Agent, the Dealer and the Bank at the following addresses:

City: City of Long Beach
333 West Ocean Boulevard
6th Floor
Long Beach, California 90802
Attention: City Treasurer
Telephone No.: (562) 570-6845
Facsimile No.: (562) 570-5260

Trustee: Deutsche Bank National Trust Company
Attention: Trust and Securities Services
(Municipal Group)
1761 East Street, Andrew Place
Santa Ana, California 92705

with a copy to:
Deutsche Bank National Trust Company
Attention: Trust and Securities Services
(Municipal Group)
60 Wall Street, MS 2715
New York, NY 10005

Issuing and Paying Agent Deutsche Bank National Trust Company
Attention: Tina Van-Ryze
60 Wall Street, MS 2715
New York, NY 10005

Dealer: Lehman Brothers Inc.
745 7th Avenue, 3rd Floor
New York, New York 10019
Attention: Municipal Money Market
Group
Telephone No.: (212) 528-1011
Facsimile No.: (212) 652-0575

Bank: JPMorgan Chase Bank, N.A.
300 South Riverside Plaza, 7th Floor
Mail Code IL1-0236
Chicago, Illinois 60606-0236
Attention: Standby Letter of Credit
Department
Telephone No.: (312) 954-1922
Facsimile No.: (312) 954-6163

Any addressee may designate additional or different addresses for purposes of this Section. Notices to the Issuing and Paying Agent are effective only upon receipt thereof.

Section 7.09. Notices to Rating Agencies. The City agrees to give notices to the Rating Agencies of (a) the appointment of any successor Issuing and Paying Agent or Dealer, (b) any amendment of this First Supplemental Subordinate Indenture, the Reimbursement Agreement, the Letter of Credit or any other Credit Facility, (c) the substitution, termination, extension or renewal of the Letter of Credit or any other Credit Facility, (d) the defeasance of all of the Outstanding Commercial Paper Notes, and (e) the termination of the Commercial Paper Program. Such notices shall be sent to Fitch, Inc. at One State Street Plaza, New York, New York 10004 and to Moody's at 99 Church Street, New York, New York 10007 or at such other address as either shall supply to the Trustee.

Section 7.10. Limitation of Rights. Nothing expressed or implied in this First Supplemental Subordinate Indenture shall give any person other than the Trustee, the City, the Bank, any other Credit Provider, the Issuing and Paying Agent and the holders of the Commercial Paper Notes any right, remedy or claim under or with respect to this First Supplemental Subordinate Indenture.

Section 7.11. Severability. If any provision of this First Supplemental Subordinate Indenture shall be determined to be unenforceable, that shall not affect any other provision of this First Supplemental Subordinate Indenture.

Section 7.12. 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 hereunder 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 shall accrue for the intervening period.

Section 7.13. Governing Law. This First Supplemental Subordinate Indenture shall be governed by and construed in accordance with the laws of the State.

Section 7.14. Captions. The captions in this First Supplemental Subordinate Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this First Supplemental Subordinate Indenture.

Section 7.15. Counterparts. This First Supplemental Subordinate Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of First Supplemental Subordinate Trust Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Subordinate Trust Indenture to be duly executed, all as of the date first above written.

CITY OF LONG BEACH

By _____
Gerald R. Miller, City Manager

Attest:

By _____
City Clerk

Approved as to form:

ROBERT E. SHANNON, City Attorney

By _____
Assistant City Attorney

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Trustee

By _____
Authorized Officer

By _____
Authorized Officer

[Signature page to First Supplemental
Subordinate Trust Indenture]

EXHIBIT A-1

FORM OF SERIES A NOTE

**CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTE
[SERIES A-*]**

NOTE NO. _____

PRINCIPAL AMOUNT: \$ _____

MATURITY DATE:	INTEREST RATE:	ORIGINAL ISSUE DATE:	INTEREST AMOUNT:	CUSIP
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REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

This Note is a special limited obligation of the City of Long Beach (the “City”), payable solely from and secured by a pledge of Subordinate Revenues (as defined in the hereinafter defined Master Subordinate Indenture) derived by the City from the operations of the Enterprise (as defined in the hereinafter defined Master Subordinate Indenture) and certain funds and accounts. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owner of this Note, and neither the full faith and credit nor the taxing power of the City, the State of California (the “State”) or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on this Note. Neither this Note nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

The City, for value received, hereby promises to pay to the registered owner hereof (herein called “the Holder”), on the Maturity Date identified above, but solely from the revenues, income and other moneys hereinafter mentioned, the Principal Amount identified above, together with interest on said Principal Amount at the Interest Rate per annum (calculated on the basis of a year containing 365/366 days and actual number of days elapsed) identified above, upon the presentation and surrender hereof at Deutsche Bank National Trust Company (the “Issuing and Paying Agent”). The principal of and interest on this Note shall be payable in lawful money of the United States of America on the Maturity Date.

The City has entered into a Master Subordinate Trust Indenture, dated as of July 1, 2005 (the “Master Subordinate Indenture”) with Deutsche Bank National Trust Company, as trustee (the “Trustee”). Such Master Subordinate Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as “Subordinate Obligations.” This Note

constitutes a “Subordinate Obligation” within the meaning of the Master Subordinate Indenture and secured in the manner provided in the Master Subordinate Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the City (the “Commercial Paper Notes”), all of which have been issued pursuant to Article XVII of the City Charter (the “Charter”) and in pursuance of the laws and Constitution of the State of California and Resolution No. C-_____ of the City Council adopted on _____, 2005 (the “Resolution”).

This Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Indenture and the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the “First Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Indenture”) by and between the City and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$35,000,000 outstanding at any one time and designated as City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A and City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable) (collectively, the “Notes”). The Notes will, at the time of issuance, be designated as Series A or Series B. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series A Projects,” and Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series B Projects.” The Series A Notes and the Series B Notes are equally and ratably secured under the Indenture. The Master Subordinate Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Indenture equally and ratably with the Commercial Paper Notes.

This Note shall be payable solely from and secured by a lien upon and pledge of the Subordinate Revenues, the proceeds of Notes issued to retire this Note and from amounts available to the Trustee under the Letter of Credit (as defined in the First Supplemental Subordinate Indenture).

This Note shall not be entitled to any security, right or benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the Issuing and Paying Agent by its execution of the certificate of authentication endorsed hereon.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of California, the Act (as defined in the Master Subordinate Indenture) and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Note and the issue of which this Note is a part, do exist, have happened and have been performed in due time, form and manner as required by such Constitution, laws, the Act and the Indenture; that the amount of this Note and the issue of which this Note is a part does not exceed any constitutional or statutory limitations of indebtedness; and that provision has been made for the payment of the principal of and interest on this Note and the series of which it is a part as provided in the Indenture.

IN WITNESS WHEREOF, the City has caused this Note to be signed in its name and on its behalf by the facsimile signature of the City Manager and a facsimile of its seal thereof to be imprinted hereon and attested by the facsimile signature of the City Clerk, as of the date of issue set forth on this Note.

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

This Note is one of an issue described in the First Supplemental Subordinate Indenture mentioned herein.

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Issuing and Paying Agent

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

(Print or type name, address and zip code of assignee) this Bond and irrevocably appoint

_____ agent to transfer this Note on the books of the City. The
agent may substitute another to act for him.

Dated: _____

Signed _____
(Sign exactly as name appears on the face of this Note)

Signature guaranteed: _____
(NOTE: Signature must be guaranteed
by an Eligible Guarantor Institution.)

EXHIBIT A-2

FORM OF SERIES B NOTE

**CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTE
[SERIES B-*]
(TAXABLE)**

NOTE NO. _____ PRINCIPAL AMOUNT: \$ _____

MATURITY DATE:	INTEREST RATE:	ORIGINAL ISSUE DATE:	INTEREST AMOUNT:	CUSIP
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REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

This Note is a special limited obligation of the City of Long Beach (the “City”), payable solely from and secured by a pledge of Subordinate Revenues (as defined in the hereinafter defined Master Subordinate Indenture) derived by the City from the operations of the Enterprise (as defined in the hereinafter defined Master Subordinate Indenture) and certain funds and accounts. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owner of this Note, and neither the full faith and credit nor the taxing power of the City, the State of California (the “State”) or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on this Note. Neither this Note nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

The City, for value received, hereby promises to pay to the registered owner hereof (herein called “the Holder”), on the Maturity Date identified above, but solely from the revenues, income and other moneys hereinafter mentioned, the Principal Amount identified above, together with interest on said Principal Amount at the Interest Rate per annum (calculated on the basis of a 360-day year and actual number of days elapsed) identified above, upon the presentation and surrender hereof at Deutsche Bank National Trust Company (the “Issuing and Paying Agent”). The principal of and interest on this Note shall be payable in lawful money of the United States of America on the Maturity Date.

The City has entered into a Master Subordinate Trust Indenture, dated as of July 1, 2005 (the “Master Subordinate Indenture”) with Deutsche Bank National Trust Company, as trustee (the “Trustee”). Such Master Subordinate Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and

secured thereby are collectively referred to herein as “Subordinate Obligations.” This Note constitutes a “Subordinate Obligation” within the meaning of the Master Subordinate Indenture and is secured in the manner provided in the Master Subordinate Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the City (the “Commercial Paper Notes”), all of which have been issued pursuant to Article XVII of the City Charter (the “Charter”) and in pursuance of the laws and Constitution of the State of California and Resolution No. C-_____ of the City Council adopted on _____, 2005 (the “Resolution”).

This Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Indenture and the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the “First Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Indenture”) by and between the City and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$35,000,000 outstanding at any one time and designated as City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A and City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable) (collectively, the “Notes”). The Notes will, at the time of issuance, be designated as Series A or Series B. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series A Projects” and Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series B Projects.” The Series A Notes and the Series B Notes are equally and ratably secured under the Indenture. The Master Subordinate Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Indenture equally and ratably with the Commercial Paper Notes.

This Note shall be payable solely from and secured by a lien upon and pledge of the Subordinate Revenues, the proceeds of Notes issued to retire this Note and from amounts available to the Trustee under the Letter of Credit (as defined in the First Supplemental Subordinate Indenture).

This Note shall not be entitled to any security, right or benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the Issuing and Paying Agent by its execution of the certificate of authentication endorsed hereon.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of California, the Act (as defined in the Master Subordinate Indenture) and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Note and the issue of which this Note is a part, do exist, have happened and have been performed in due time, form and manner as required by such Constitution, laws, the Act and the Indenture; that the amount of this Note and the issue of which this Note is a part does not exceed any constitutional or statutory limitations of indebtedness; and that provision has been made for the payment of the principal of and interest on this Note and the series of which it is a part as provided in the Indenture.

IN WITNESS WHEREOF, the City has caused this Note to be signed in its name and on its behalf by the facsimile signature of the City Manager and a facsimile of its seal thereof to be imprinted hereon and attested by the facsimile signature of the City Clerk, as of the date of issue set forth on this Note.

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

This Note is one of an issue described in the First Supplemental Subordinate Indenture mentioned herein.

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Issuing and Paying Agent

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

(Print or type name, address and zip code of assignee) this Note and irrevocably appoint

_____ agent to transfer this Note on the books of the City. The
agent may substitute another to act for him.

Dated: _____

Signed _____
(Sign exactly as name appears on the face of this Note)

Signature guaranteed: _____

(NOTE: Signature must be
guaranteed by an Eligible Guarantor
Institution.)

EXHIBIT B

**FORM OF CHANGE IN AVAILABLE
AUTHORIZED AMOUNT CERTIFICATE**

**CITY OF LONG BEACH
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTES**

The undersigned, on behalf of the City of Long Beach (the "City") pursuant to that certain Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture") by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental" and together with the Master Subordinate Indenture, the "Indenture") by and between the City and the Trustee, hereby certifies as follows:

(a) Pursuant to Resolution No. C-_____ adopted by the City Council on _____, 2005, the City is authorized to issue from time to time Commercial Paper Notes in an aggregated amount not to exceed the Authorized Amount.

(b) The Indenture authorizes a Designated Representative from time to time to establish the Available Authorized Amount pursuant to a Change in Available Authorized Amount Certificate.

(c) The Available Authorized Amount as of the date hereof shall be \$_____.

(d) The Available Authorized Amount established pursuant to (c) hereof does not exceed the Authorized Amount.

All capitalized terms used herein and not defined herein shall have the meanings set forth in the Indenture.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of this ____ day of _____ 20__.

CITY OF LONG BEACH

By _____
Designated Representative

EXHIBIT C
LIST OF SERIES A PROJECTS

1) Replacement of gate valves
2) Purchase of fire control valves
3) On-going pipeline integrity work
4) Removal of all 1920's era pipeline
5) Removal of 300,000 feet of 1930's era pipeline
6) Removal of 340,000 feet of 1940's era pipeline
7) Cathodic protection to prevent external corrosion of buried pipeline
8) Purchase of vehicles and tools
9) Purchase and repair of meter set assemblies
10) Purchase and upkeep of GIS pipeline mapping system
11) Unplanned, emergency pipeline repair needs

EXHIBIT D
LIST OF SERIES B PROJECTS

EXHIBIT E

**FORM OF DTC MUNICIPAL
COMMERCIAL PAPER MASTER NOTE**

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC) **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTE
MASTER NOTE
[SERIES ____]**

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Not to exceed Thirty-Five Million Dollars (\$35,000,000)
Outstanding

This Master Note is a special limited obligation of the City of Long Beach, California (the “City”), payable solely from and secured by a pledge of Subordinate Revenues (as defined in the hereinafter defined Master Subordinate Indenture) derived by the City from the operations of the Enterprise (as defined in the Master Subordinate Indenture) and certain funds and accounts. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owner of this Master Note, and neither the full faith and credit nor the taxing power of the City, the State of California or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on this Master Note. Neither this Master Note nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

The City, for value received, hereby promises to pay, but solely from the revenues, income and other moneys hereinafter mentioned, to the registered owner hereof (herein called “the Holder”), the Principal Amount, together with interest on said Principal Amount, if any, on the Maturity Date of each obligation identified on the records of the City (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by Deutsche Bank National Trust Company, as Issuing and Paying Agent (the “Issuing and Paying Agent”) under the Issuing and Paying Agent Agreement, dated as of July 1, 2005 (the “Issuing and Paying Agent Agreement”) by and between the City and the Issuing and Paying Agent, and the First Supplemental Subordinate Indenture (as defined below). Interest shall be calculated on the basis of a [year containing 365/366 days and actual number of days elapsed] [360-day year

and actual number of days elapsed] at the rate specified in the Underlying Records. The principal of and interest on this Master Note shall be payable in lawful money of the United States of America by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

The City has entered into a Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture") with Deutsche Bank National Trust Company, as trustee (the "Trustee"). Such Master Subordinate Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Subordinate Obligations." This Note constitutes a "Subordinate Obligation" within the meaning of the Master Subordinate Indenture and secured in the manner provided in the Master Subordinate Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the City (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State of California and Resolution No. C-_____ of the City Council adopted on _____, 2005 (the "Resolution").

This Master Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Indenture and the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, the "Indenture") by and between the City and the Trustee. The program of which this Master Note is a part is authorized in the aggregate principal amount not to exceed \$35,000,000 outstanding at any one time and designated as the City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A and the City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable) (collectively, the "Commercial Paper Notes"). The Master Subordinate Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Indenture equally and ratably with the Commercial Paper Notes.

This Master Note shall be payable solely from and secured by a lien upon and pledge of the Subordinate Revenues, the proceeds of Commercial Paper Notes issued to retire this Master Note and from amounts available to the Trustee under the Letter of Credit (as defined in the First Supplemental Subordinate Indenture).

This Master Note shall not be entitled to any security, right or benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the Issuing and Paying Agent by its execution of the certificate of authentication endorsed hereon.

Reference is hereby made to the Indenture, the Issuing and Paying Agent Agreement and to the Act (as defined in the Master Subordinate Indenture) for a description of the terms on which the Commercial Paper Notes are issued and to be issued, the provisions with regard to the nature and extent of the Subordinate Revenues, and the rights of the registered owners of the Commercial Paper Notes; and all the terms of the Indenture, the Issuing and Paying Agent

Agreement and the Act are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Master Note, by its acceptance hereof, consents and agrees.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of California, the Act and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Master Note and the issue of which this Master Note is a part, do exist, have happened and have been performed in due time, form and manner as required by such Constitution, laws, the Act and the Indenture; that the amount of this Master Note and the issue of which this Master Note is a part does not exceed any constitutional or statutory limitations of indebtedness; and that provision has been made for the payment of the principal of and interest on this Master Note and the series of which it is a part as provided in the Indenture.

IN WITNESS WHEREOF, the City has caused this Master Note to be signed in its name and on its behalf by the facsimile signature of the City Manager and a facsimile of its seal thereof to be imprinted hereon and attested by the facsimile signature of the City Clerk, as of the date of issue set forth on this Master Note.

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

This Master Note is one of an issue described in the First Supplemental Subordinate Indenture mentioned herein.

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Issuing and Paying Agent

By _____
Authorized Signatory

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

(Print or type name, address and zip code of assignee) this Master Note and irrevocably
appoint

_____ agent to transfer this Master Note on the books of the
City. The agent may substitute another to act for him.

Dated: _____

Signed _____

(Sign exactly as name appears on the face of this Master Note)

Signature guaranteed: _____

(NOTE: Signature must be
guaranteed by an Eligible Guarantor
Institution.)

EXHIBIT F

**FORM OF NOTICE OF ISSUANCE OF
COMMERCIAL PAPER NOTES**

**CITY OF LONG BEACH
SUBORDINATE GAS UTILITY REVENUE
COMMERCIAL PAPER NOTES**

To: [DEALER]

**NOTICE OF ISSUANCE OF
COMMERCIAL PAPER NOTES**

The undersigned Designated Representative, on behalf of the City of Long Beach (the "City") pursuant to that certain Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture") by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental" and together with the Master Subordinate Indenture, the "Indenture") by and between the City and the Trustee, hereby directs you as follows:

(a) Pursuant to Resolution No. C-_____ adopted by the City Council on _____, 2005 and the Indenture, the City is authorized to issue Commercial Paper Notes from time to time in Series in an aggregate principal amount not to exceed the Authorized Amount.

(b) Under Sections 2.07 of the First Supplemental, a Designated Representative may from time to time authorize the issuance of Commercial Paper Notes.

(c) The City hereby authorizes the issuance of the following Commercial Paper Notes in an aggregate principal amount of \$_____ :

Series	Program	Subseries	Aggregate Principal Amount
---------------	----------------	------------------	-----------------------------------

(d) The City hereby instructs [DEALER] to solicit and arrange sales of the above described Commercial Paper Notes.

(e) The City hereby certifies and represents that: (i) the Letter of Credit is in full force and effect; (ii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the Available Authorized Amount; (iii) the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on date hereof; (iv) the City has not been notified by Bond Counsel that its opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the

interest thereof delivered prior to the initial issuance of the Commercial Paper Notes has been revised or withdrawn; (v) no Specified Event of Default has occurred and is then continuing; and (vi) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in Section 2.07 have been satisfied.

All capitalized terms used herein and not defined shall have the meanings set forth in the Indenture.

IN WITNESS WHEREOF, I have hereto set my hand and delivered this certificate, effective as of _____, 20__.

CITY OF LONG BEACH

By _____
Designated Representative

cc: Issuing and Paying Agent
Bank