

COMMERCIAL PAPER DEALER AGREEMENT

by and between

CITY OF LONG BEACH

and

LEHMAN BROTHERS INC.,
as Dealer

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)

COMMERCIAL PAPER DEALER AGREEMENT

This **COMMERCIAL PAPER DEALER AGREEMENT**, dated as of July 1, 2005 (the "Agreement"), is made by and between the **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 **LEHMAN BROTHERS INC.**, as Dealer ("Lehman" or the "Dealer").

For and in consideration of the mutual covenants made herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Background and Definitions.

(a) The City has authorized the issuance and reissuance from time-to-time of its tax-exempt and taxable commercial paper notes (the "Notes" or the "Commercial Paper Notes") in the aggregate principal amount not to exceed \$35,000,000 outstanding at any time.

(b) The City has authorized the issuance of the Notes pursuant to (a) Section 1725 of Article XVII of the City Charter of the City of Long Beach, and (b) the 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 Indenture" and together with the Master Subordinate Indenture, the "Indenture") by and between the City and the Trustee. Additionally, in connection with the issuance of the Notes, the City has entered into the Issuing and Paying Agent Agreement, dated as of July 1, 2005 (the "Issuing and Paying Agent Agreement") with Deutsche Bank National Trust Company, (the "Issuing and Paying Agent"). For purposes of this Agreement, the Indenture and the Issuing and Paying Agent Agreement shall be known as the "CP Documents."

(c) JPMorgan Chase Bank, N.A. (the "Bank"), will deliver an irrevocable direct pay letter of Credit (the "Letter of Credit") to the Issuing and Paying Agent in accordance with the terms of the CP Documents and the Reimbursement Agreement, dated as of July 1, 2005 (the "Reimbursement Agreement"), between the City and the Bank.

(d) The CP Documents provide for the appointment of one or more commercial paper dealers to perform certain duties, including the offering and sale from time-to-time of the Notes on behalf of the City.

(e) Lehman has agreed to accept the duties and responsibilities of a Dealer with respect to the Notes under the CP Documents and this Agreement.

(f) Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the CP Documents.

Section 2. Appointment of Dealer.

(a) Subject to the terms and conditions contained herein, the City hereby appoints Lehman as a Dealer for the Notes, and Lehman hereby accepts such appointment as Dealer for the City in connection with the offering, issuance and sale of the Notes, which the City shall designate to the Dealer from time to time pursuant to a certificate from a Designated Representative substantially in the form set forth herein in as Exhibit A.

(b) Subject to the provisions of this subparagraph (b), the Dealer shall act as an exclusive dealer with respect to the Notes. The Dealer hereby acknowledges that the City may, from time to time, enter into agreements with other dealers in connection with the offering and sale of the Notes on behalf of the City.

Section 3. Responsibilities of Dealer.

(a) Subject to the terms and conditions set forth in this Agreement, Lehman agrees to perform the duties of Dealer set forth in this Agreement. It is understood that in undertaking to perform such duties, and in the performance thereof, it is the intention of the parties that the Dealer will act solely as an agent and not as a principal, except as expressly provided in this Agreement. The Dealer shall use its best efforts to solicit and arrange sales of the Notes on behalf of the City at such rates and maturities as may prevail from time to time in the market, and subject to the terms and conditions established in the CP Documents. The Dealer shall be responsible for billing and receiving payments for Notes purchased and sold. The Dealer and the City agree that any Notes which the Dealer may arrange the sale of or which, in the Dealer's sole discretion, it may elect to purchase, will be purchased or sold on the terms and conditions and in the manner provided in the CP Documents and this Agreement. Anything herein to the contrary notwithstanding, to the extent of any conflict between the provisions hereof and of the CP Documents, the provisions of the CP Documents shall be controlling.

(b) With respect to all Notes marketed by the Dealer, the Dealer will provide to the City and the Issuing and Paying Agent, not later than 12:45 p.m. New York City time, on the date the Notes are to be issued, the following trade information: (i) the amount of such Notes sold on that date, (ii) the maturity(ies) of such Notes and (iii) the prices and interest rate(s) on such Notes. This trade information will be delivered by facsimile or electronically or telephonically to the City and electronically to the Issuing and Paying Agent. (The giving of such trade information shall constitute the commitment of the Dealer to purchase such Notes upon delivery by the Issuing and Paying Agent of the Notes that are to be issued on that day.)

(c) The City hereby delegates to the Dealer the authorization to instruct the Issuing and Paying Agent pursuant to the Instructions substantially in the form set forth herein as Exhibit B (or such other form as shall be agreed to between the Dealer and the Issuing and Paying Agent); provided, however, that the Dealer shall obtain the information with respect to the Series, the "program" and the Subseries from a Designated Representative. The Dealer shall be so authorized until it is advised in

writing by the City. Determinations by the Dealer will be conclusive and binding, in the absence of manifest error, upon the City, the Issuing and Paying Agent and the Owners. The Dealer shall confirm each transaction made with or arranged by them to the City in writing in the Dealer's customary form promptly following each transaction, but in any event within three Business Days. The Dealer agrees to deliver the Instructions with respect to the Notes in the manner provided in the First Supplemental Indenture.

(d) Notwithstanding anything to the contrary contained herein, the Dealer:

(i) will suspend its efforts with respect to the offer or sale of the Notes on behalf of the City upon the receipt of notice of the occurrence of an event of default under the Notes, the CP Documents, the Letter of Credit and the Reimbursement Agreement; and

(ii) may, in its sole discretion, suspend its efforts with respect to the offer or sale of the Notes on behalf of the City immediately upon the occurrence of any of the following events, which suspension will continue so long as, in the Dealer's reasonable judgment, such event continues to exist as to the Notes:

(A) suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(B) a general moratorium on commercial banking activities in New York is declared by either federal or New York State authorities;

(C) the engagement by the United States in hostilities if the effect of such engagement, in the Dealer's judgment, makes it impractical or inadvisable to proceed with the solicitation of offers to purchase the Notes;

(D) legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended (the "Securities Act") as then in effect, or the Securities Exchange Act of 1934, as amended (the "Exchange Act") as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Notes, or the Notes themselves, as contemplated hereby;

(E) any event shall occur or information shall become known, which, in the Dealer's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained

in any disclosure documents provided to the Dealer in connection with the performance of its duties hereunder, whether provided pursuant to Section 5 hereof or otherwise, or causes such documents to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(F) any governmental authority shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force;

(G) any of the representations and warranties of the City made hereunder shall not have been true and correct on the date made;

(H) the City fails to observe any of the covenants or agreements made herein;

(I) any of the rating agencies then rating the Notes or the Bank shall either (1) downgrade the ratings assigned to either the Notes or the Bank so that such Notes are not "Eligible Notes" as defined under Rule 2a-7 of the Investment Company Act of 1940, as amended or (2) suspend or withdraw the then current ratings assigned to either the Notes or the Bank; or

(J) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Dealer's judgment makes it impractical to market the Notes or to enforce contracts for the sale of the Notes.

Section 4. Transactions in Notes. All transactions in Notes between the Dealer and the City shall be in accordance with the CP Documents, this Agreement, the Reimbursement Agreement and with the customs and practices in the commercial paper market regarding settlement and delivery formally adopted in writing from time to time by the New York Clearing House, to the extent not inconsistent with the CP Documents. As early as possible, but not later than 12:45 p.m. New York City time on the day on which any Notes are to be issued, the Dealer shall notify the City of the proposed final maturities, prices and interest rates (which interest rates shall not exceed the Maximum Rate) at which the Dealer will purchase or cause the purchase of the Notes, and provide the City with any other information as required for delivery of such Notes. Except as described below, the Dealer shall not be obligated to purchase or cause the purchase of any Notes unless and until agreement has been reached in each case on the foregoing points and the Dealer has agreed to such purchase. Not later than 12:45 p.m. New York City time on the date of each transaction the Dealer shall either (a) confirm each transaction made with or arranged by it or (b) notify the City and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase. Such confirmation or notification shall

be given by telephone (or by other telecommunications medium acceptable to the City) and in writing to the City and the Issuing and Paying Agent.

Section 5. Payment for Notes. The Dealer shall pay for the Notes sold by the Dealer (or purchased by the Dealer for its own account) in immediately available funds by 2:15 p.m. New York City time on the Business Day such Notes are delivered to the Dealer (provided that such Notes are so delivered to the Dealer by 2:15 p.m. New York City time on such Business Day). All Notes will be sold at par, except the Series B Notes which, pursuant to the First Supplemental Indenture, may be sold at a discount. The Notes will be evidenced either by (a) a global note immobilized with The Depository Trust Company of New York or (b) if not, will be executed in the manner provided for in the CP Documents.

Section 6. Designated Representative. Note transactions with the City, pursuant to Section 4 hereof, shall be with any one of the officers or employees of the City who are designated as a Designated Representative. The initial written designation of the Designated Representatives is appended hereto as Exhibit C. The City agrees to provide the Dealer with revised written designations in the form of Exhibit C when and as required by changes in the Designated Representatives. The Dealer may rely upon such designation unless and until otherwise notified in writing by the City.

Section 7. Resignation and Removal of Dealer. The Dealer may at any time resign and be discharged of its duties and obligations hereunder upon providing the City, the Bank, and the Issuing and Paying Agent with sixty (60) days' prior written notice. Notwithstanding, the previous sentence, the City will use its best efforts to replace the Dealer sooner than sixty (60) days after its receipt of notice of the Dealer's resignation. The Dealer may be removed at any time, at the direction of the City upon seven days' prior written notice to the Dealer, the Bank, and the Issuing and Paying Agent. Upon removal or resignation of the Dealer, the City shall promptly cause the Issuing and Paying Agent to give notice thereof by mail to all Holders of the Notes and to any rating agency which has assigned a rating to the Notes. The Dealer shall assign and deliver this Agreement to its successor if requested by the City. The Dealer will immediately upon the appointment of a successor as provided herein, pay over, assign, and deliver any moneys and obligations held by it in such capacity, and deliver all books and records relating thereto to its successor, or, if there is no successor, to the City.

Section 8. Furnishing of Disclosure Materials.

(a) The City agrees to furnish the Dealer with as many copies as the Dealer may reasonably request of any offering memorandum of the City relating to the Notes (the "Offering Memorandum"), and such other information with respect to the City and the Notes as the Dealer shall reasonably request from time to time.

(b) The City agrees to cooperate with the Dealer in the preparation from time-to-time (but no greater than once each fiscal year, unless determined otherwise by the City) of a new Offering Memorandum of the City for the Notes in the event the Dealer determines that the preparation and distribution of such Offering Memorandum is necessary or desirable in connection with offering and sale on behalf of the City of the

Notes, and to furnish or to cause to be furnished to the Dealer as many copies of such new Offering Memorandum as the Dealer shall request.

(c) If, at any time during the term of this Agreement, any event shall occur or facts become known to either party that might affect the correctness or completeness of any statement of a material fact contained in the then current Offering Memorandum, such party shall promptly notify the other in writing of the circumstances and details of such event. The City agrees to promptly furnish to the Dealer, upon request, a copy of each filing or notice made to anyone (whether in connection with the Notes or not) pursuant to any undertaking or other agreement of the City made under any provision of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Section 9. Fees and Expenses. For the Dealer's services under this Agreement, the City will pay the Dealer a fee of 0.045% (4.5 basis points) per annum of the weighted average of the principal amount of Notes, designated to the Dealer pursuant to a Note Designation Certificate, during each three month period. The City will pay the fee quarterly in arrears on each March 31, June 30, September 30, and December 31 (commencing on the first March 31, June 30, September 30 or December 31 to occur following the initial issuance of Commercial Paper Notes). Additionally, the City will pay the Dealer \$3,374 for expenses and \$17,500 for a management fee, which shall be payable at the time of the initial issuance of the Commercial Paper Notes.

Section 10. Representations, Warranties, Covenants and Agreements of the City. The City, by its acceptance hereof, represents, warrants, covenants and agrees with the Dealer that:

(a) it is a charter city and municipal corporation organized and existing under the Constitution of the State of California;

(b) it has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement and any other instrument or agreement relating thereto to which the City is a party;

(c) it has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date to authorize (i) the execution, delivery and performance of this Agreement, the CP Documents, the Reimbursement Agreement and any other instrument or agreement to which the City is a party and which has been or will be executed in connection with the transactions contemplated by the foregoing documents; and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated by the foregoing agreements and by the current Offering Memorandum;

(d) it will provide the Dealer, upon request, at its address set forth below, (i) within 45 days of the end of each of its first three fiscal quarters, with copies of its unaudited quarterly financial statements, and (ii) within 210 days of the end of each fiscal year, with a copy of its annual audited financial statements for that fiscal year;

(e) it will promptly notify the Dealer of any material adverse changes that may affect the offering and sale on behalf of the City of the Notes or any fact or circumstance which may constitute, or with the passage of time will constitute, an event of default under the Notes, the CP Documents, the Letter of Credit or the Reimbursement Agreement; and

(f) the Offering Memoranda and supplements, amendments and updates to any thereof, furnished by the City and used by the Dealer (including amendments, supplements and replacements thereof), until such time as they shall have been subsequently amended, updated or replaced, shall not contain any untrue, incorrect or misleading statement of a material fact.

Section 11. Term of Agreement. This Agreement shall become effective on the date hereof and shall continue in full force and effect until the cessation of the Notes program, subject to the right of suspension and termination as provided herein.

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 13. Dealing in Notes by the Dealer; No Obligation to Purchase Notes.

(a) The Dealer, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Notes, including, without limitation, any Notes offered and sold by the Dealer pursuant to this Agreement, and may join in any action which any Owner may be entitled to take with like effect as if it did not act in any capacity hereunder. The Dealer, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City and may act as depositary, Account Party, or agent for any committee or body of owners of the Notes or other obligations of the City as freely as if it did not act in any capacity hereunder.

(b) Nothing in this Agreement shall be deemed to constitute the Dealer an underwriter of the Notes or to obligate the Dealer to purchase any Notes for its own account at any time.

Section 14. Miscellaneous.

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and either (i) hand-delivered, (ii) sent by electronic means, or (iii) mailed by registered or certified mail, return receipt requested, postage prepaid, to:

The 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

The 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

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

The 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

Each party hereto may, by notice given under this Agreement to the other parties described above, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Agreement shall inure to the benefit of and be binding only upon the parties hereto and their respective successors and assigns. The terms “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase. Neither the Bank nor any owner of the Notes or other third party shall have any rights or privileges hereunder.

(c) All of the representations and warranties of the City and the Dealer in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Dealer or the City, (ii) the offering and sale of and any payment for any Notes hereunder, or (iii) suspension, termination or cancellation of this Agreement.

(d) This Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto.

(e) Nothing herein shall be construed to make any party an employee of the other or to establish any fiduciary relationship between the parties except as expressly provided herein.

(f) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(g) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

[End of Commercial Paper Dealer Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Commercial Paper Dealer Agreement 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

Lehman Brothers Inc., as Dealer

By _____
Name _____
Title _____

[Signature page to Commercial Paper Dealer Agreement]

EXHIBIT A

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

To: Lehman Brothers Inc.
745 7th Avenue, 3rd Floor
New York, New York 10019
Attention: Municipal Money Market Group

NOTE DESIGNATION CERTIFICATE

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 Indenture" 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. _____ 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 2.01 and 2.07 of the First Supplemental Indenture, a Designated Representative may from time to time designate to any Dealer, Commercial Paper Notes of a Series and Subseries.

(c) The City hereby designates to Lehman Brothers Inc. ("Lehman") the following Commercial Paper Notes in an aggregate principal amount of \$[_____].

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

(d) The City hereby instructs Lehman to solicit and arrange sales of the above described Commercial Paper Notes. Additionally, until Lehman receives notice from the City instructing them otherwise, as such Commercial Paper Notes mature, Lehman is instructed to re-sell and re-issue such Commercial Paper Notes pursuant to the terms and provisions of the Indenture and the Commercial Paper Dealer Agreement, dated as of July 1, 2005, between the City and Lehman, as dealer.

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

EXHIBIT B

FORM OF INSTRUCTIONS

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

Re: City of Long Beach, California
Subordinate Gas Utility Revenue Commercial Paper Notes, Series A and B

Ladies and Gentlemen:

These instructions (the "Instructions") are provided pursuant to the provisions of the Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture") by and between the City of Long Beach (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 Indenture" and together with the Master Subordinate Indenture, the "Indenture") by and between the City and the Trustee, and the Issuing and Paying Agent Agreement, dated as of July 1, 2005 (the "Issuing and Paying Agent Agreement") by and between the City and Deutsche Bank National Trust Company, as Issuing and Paying Agent (the "Issuing and Paying Agent"). All terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture and the Issuing and Paying Agent Agreement.

The undersigned, a representative of the Dealer, hereby directs you, as Issuing and Paying Agent, to authenticate and deliver Commercial Paper Notes to the purchaser or purchasers named below, upon receipt of the purchase price or prices indicated below, with the characteristics as follows:

Series:		Purchaser:	Cede & Co.
Program:		Settlement Date:	
Subseries:		Minimum Denominations	\$100,000
Principal Amount:	\$	Incremental Denominations	\$1,000
Purchase Price:	\$	Issuing Agent:	
Dated Date:		Paying Agent:	
Maturity Date		CUSIP Number	
Number of days in payment period			
Interest Rate:	%		
Amount of Interest due at Maturity	\$		
Price or Yield			

Date: _____

Lehman Brothers Inc.

By _____

Dealer Representative

DTC Participant Number: - _____

Cc: City of Long Beach

EXHIBIT C

CERTIFICATE OF DESIGNATED REPRESENTATIVE

I am the [_____] of the City of Long Beach (the “City”) duly authorized pursuant to the 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 Indenture” and together with the Master Subordinate Indenture, the “Indenture”) by and between the City and the Trustee to appoint Designated Representatives of the City in connection with the issuance, from time to time, by the City of tax-exempt and taxable commercial paper (the “Notes”) in accordance with the Indenture. I hereby designate the following persons to act on my behalf in accordance with the Indenture and the Issuing and Paying Agent Agreement, dated as of July 1, 2005, by and between the City and Deutsche Bank National Trust Company, as Issuing and Paying Agent, and specimen signatures of such persons are set forth beside their names.

Designated Persons

Specimen Signature

Executed this ____ day of _____, ____.

By _____
[_____]