

June 13, 2023

R-19

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing and approving a change in the index rate for the Natural Gas Purchase Revenue Bonds Series 2007B, issued by the Long Beach Bond Finance Authority and the related Interest Rate Swaps, authorizing and approving certain documents and actions relating thereto, and delegating authority to officers in connection therewith. (Citywide)

DISCUSSION

On October 18, 2007, the Long Beach Bond Finance Authority (the Authority), issued its Natural Gas Purchase Revenue Bonds, Series 2007B in order to finance the acquisition of a long-term supply of natural gas, for sale to the City of Long Beach (City) over a period of years. The 2007B Bonds are currently bearing an interest rate equal to 67 percent of three-month London Interbank Offer Rate (LIBOR) plus a spread. The Interest Rate Swaps related to the 2007B Bonds contain floating rates of 67 percent of three-month LIBOR plus the same applicable spread. Currently, both the 2007B Bonds and Swaps reference the same three-month LIBOR interest rate, so there is no interest rate differential risk.

Discussion on Interest Rate Change

As the result of a variety of market and industry pressures, the LIBOR interest rate will be discontinued on June 30, 2023, requiring those debt obligations that reference LIBOR to choose a new reference index rate or be subject to the automatic fallback protocol as outlined in federal law for municipal bonds and as outlined by the International Swap and Derivatives Association (ISDA) for interest rate swap agreements. Both fallback protocols change the index rate to the Secured Overnight Financing Rate (SOFR) from LIBOR. As a reference point, on May 3, 2023, three-month SOFR was 5.34 percent, Daily SOFR was 4.81 percent and three-month LIBOR was 5.1 percent. Per federal law, the fallback protocol for municipal bonds (such as the 2007B Bonds) will automatically adjust to 3-month Term SOFR when LIBOR is discontinued. Per ISDA, the fallback protocol for interest rate swaps will automatically adjust to a slightly different interest rate, Daily SOFR, when LIBOR is discontinued. While federal law and ISDA actions provide a path forward, it creates an interest rate differential in the City's 2007B Bonds and its related Swaps that potentially reduces (or increases) net revenue savings dependent on market conditions. This interest rate differential risk did not exist in the original structure of the 2007B Bonds and its related Swaps.

To preserve the original intent of the 2007B Bond/Swaps transaction, it is necessary to approve an index rate change on the Swaps to ensure both the 2007B Bonds and Swaps reference the

same index rate, thereby removing the interest rate differential risk between the three-month Term SOFR and the Daily SOFR. While the average basis point differential between the two index rates from 2019 to today was only about three basis points, the potential magnitude could be significant if the two index rates do not move in tandem. Because the methodologies for computing the two index rates are different, there has been some evidence of these two index rates not moving in tandem. As an example, using the same 2019 to today period, the three-month Term SOFR has been as high as 424 basis points above Daily SOFR and as low as 266 basis points below Daily SOFR. To avoid this interest rate differential risk, this resolution authorizes an index rate change on the Interest Rate Swaps to three-month Term SOFR to match the 2007B Bonds that will automatically be adjusted to three-month Term SOFR per the fallback protocol provided under federal law.

Financial Management and Utility Department staff have worked with its municipal and swap advisor, PFM Financial Advisors LLC and its bond counsel, Orrick Herrington & Sutcliffe on the documents associated with this interest rate change.

This matter was reviewed by Principal Deputy City Attorney Richard Anthony on May 12, 2023, Director of Finance for the Utilities Department Brandon Walker on May 25, 2023, and by Revenue Management Officer Geraldine Alejo on May 24, 2023.

TIMING CONSIDERATIONS

The Long Beach Bond Finance Authority approved this item on March 30, 2023. The Board of Utilities Commissioners approved this item on May 25, 2023. City Council action is requested on June 13, 2023, to facilitate the timely closing of this index rate change before the LIBOR rate is discontinued on June 30, 2023.

FISCAL IMPACT

The total cost of this index rate change, including the City's municipal and swap advisor, bond counsel fees, and all other related fees, is estimated at \$196,166, and will be paid from the Gas Fund Group in the Long Beach Utilities Department. The change will ensure that the index rates for the 2007B Bonds and related interest rate swaps both reference the three-month Term SOFR. Should the 2007B Bonds and interest rate swap reference different index rates, this would result in an interest rate differential that would potentially reduce (or increase) net revenue savings dependent on market conditions. As such, it is important to remove the interest rate differential risk to preserve the original intention of the structure of the 2007B bonds and related interest rate swaps, and avoid potential spikes in that differential resulting in unexpected costs (or savings) to the Gas Fund Group. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities, including the City's financial and debt policies. There is no local job impact associated with this recommendation.

HONORABLE MAYOR AND CITY COUNCIL

June 13, 2023

Page 3

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KEVIN RIPER

DIRECTOR OF FINANCIAL MANAGEMENT



CHRISTOPHER J. GARNER

GENERAL MANAGER OF PUBLIC UTILITIES

APPROVED:



THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS:

RESOLUTION

A – AMENDED AND RESTATED CONFIRMATION MLCS- LONG BEACH (2025)

B – AMENDED AND RESTATED CONFIRMATION MLCS- LONG BEACH (2026)

C – AMENDED AND RESTATED CONFIRMATION MLCS- LONG BEACH (2027)

D – AMENDED AND RESTATED CONFIRMATION MLCS- LONG BEACH (2033)

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING AND APPROVING A CHANGE IN THE INTEREST RATE FOR THE NATURAL GAS PURCHASE REVENUE BONDS, SERIES 2007B, ISSUED BY THE LONG BEACH BOND FINANCE AUTHORITY AND THE RELATED INTEREST RATE SWAPS, AUTHORIZING AND APPROVING CERTAIN DOCUMENTS AND ACTIONS RELATING THERETO, AND DELEGATING AUTHORITY TO OFFICERS IN CONNECTION THEREWITH

WHEREAS, the City of Long Beach (the “City”) is a municipal corporation and charter city duly organized and existing under its charter and the Constitution of the State of California; and

WHEREAS, the Long Beach Bond Finance Authority (the “Authority”) has heretofore issued its Long Beach Bond Finance Authority Natural Gas Purchase Revenue Bonds Series 2007B (the “Bonds”) pursuant to the Trust Indenture, dated as of September 1, 2007, as supplemented on August 1, 2009, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”) in order to finance the acquisition of a long-term supply of natural gas, for sale to the City over a period of years; and

WHEREAS, the Bonds are bearing interest at a rate equal to 67% of three-month LIBOR plus a spread of 1.41% for the Bonds maturing on November 15, 2025, 1.43% for the Bonds maturing on November 15, 2026, 1.45% for the Bonds maturing on November 15, 2027, and 1.55% for the Bonds maturing on November 15, 2033, in each case subject to a maximum rate of 15%; and

WHEREAS, the Interest Rate Swaps related to the Bonds contain floating

1 rates of 67% of three-month LIBOR plus the applicable spread; and

2 WHEREAS, the LIBOR Rate is being discontinued as of June 30, 2023;

3 NOW, THEREFORE, the City Council of the City of Long Beach resolves as

4 follows:

5 Section 1. Findings and Determinations. The City Council hereby finds
6 and determines that the foregoing recitals are true and correct.

7 Section 2. Approval of Authority Transaction. The City Council hereby
8 approves the Authority’s plan, as described in Resolution No. B.F.A. 2023-__ of the
9 Authority adopted on _____, 2023, pursuant to the Adjustable Interest Rate (LIBOR)
10 Act, to convert, by operation of law, the interest rate on the Bonds from 67% of three-month
11 LIBOR plus the applicable spread to 67% of three-month Term SOFR (plus the applicable
12 credit spread adjustment) plus the applicable spread on the first interest reset date after
13 June 30, 2023. No other changes are being made to the Bonds. Also pursuant to the
14 Adjustable Interest Rate (LIBOR) Act, references to “LIBOR” in the Indenture with respect
15 to the definitions of “Interest Rate Swaps,” “LIBOR Rate Determination Date” and, for the
16 calculation of Redemption Price, the “Spread Premium” will convert, by operation of law,
17 to Term SOFR. References to “LIBOR” in any ancillary documents relating to the Bonds
18 will also be amended to refer to “Term SOFR.”

19 The City Council hereby also approves the Authority’s plan, as described in
20 Resolution No. B.F.A. 2023-__ of the Authority adopted on _____, 2023 to amend
21 each of the Interest Rate Swaps to (i) convert the floating rate from 67% of three-month
22 LIBOR plus the applicable spread to 67% of three-month Term SOFR (plus the applicable
23 credit spread adjustment) plus the applicable spread, (ii) change the compounding
24 convention to match the compounding convention for setting the interest rate on the Bonds,
25 (iii) eliminate the 15% cap on the floating rates, and (iv) increase the fixed rates to
26 compensate for the change in the compounding convention (taking into account the effect
27 of elimination of the 15% cap), all to be effective on the first interest rate reset date after
28 June 30, 2023.

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Section 3. Official Actions. The Designated Officers, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all documents and certificates which they, or any of them, may deem necessary or advisable in order to consummate the transactions contemplated herein.

Section 4. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2023 by the following vote:

Ayes:	Councilmembers:	_____

Noes:	Councilmembers:	_____

Absent:	Councilmembers:	_____

Recusal(s):	Councilmembers	_____

City Clerk



H&K Draft
2/21/23

Admin No: 07MU03470

July 24, 2009

SECOND AMENDED AND RESTATED TRANSACTION
(as amended and restated as of [____], 2023)

Long Beach Bond Finance Authority
333 West Ocean Boulevard
Long Beach, CA 90802

Attn: Executive Director
Fax 562-570-5250
Phone 562-570-6427

Ladies and Gentlemen:

The purpose of this letter agreement is to amend and restate the terms and conditions of the transaction (the “Original Transaction,” as amended and restated on August 11, 2009 (the “First Amended Transaction”), as amended and restated as of [____], 2023, the “Transaction”), originally entered into between Merrill Lynch Capital Services, Inc. (“MLCS”) and Long Beach Bond Finance Authority (“Counterparty”) on the Trade Date specified below. This letter agreement constitutes a “Confirmation” as defined in the Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the “Definitions”) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation shall supplement, form a part of, and be subject to, the Master Agreement and the Schedule thereto, each dated as of September 12, 2007, as amended and supplemented from time to time (the “Agreement”), between MLCS and Counterparty. All provisions contained in such Agreement will govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Original Notional Amount (no longer in effect - see paragraph 7 below):

\$28,845,000.00, subject to reduction on the dates that the Counterparty’s Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2025 (the “Series 2007B Bonds”), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in set forth in Part 1(f)(ii) of the Schedule.

Notional Amount (as amended and

\$19,195,000.00, subject to reduction on the dates that the

restated pursuant to the First Amended Transaction):

Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2025 (the "Series 2007B Bonds"), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule.

Trade Date: September 12, 2007

Effective Date: October 18, 2007

Termination Date: November 15, 2025

FIXED AMOUNT:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to no adjustment.

Fixed Rate: (i) From and including the Effective Date to but excluding [____], 2023, 4.903% and (ii) from and including [____], 2023 and thereafter, [____]%.

Fixed Rate Day Count Fraction 30/360

FLOATING AMOUNT:

Floating Rate Payer: MLCS

Floating Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in

accordance with the Following Business Day Convention.

Floating Rate Option:	(i) From and including the Effective Date to but excluding [_____], 2023, 67% of USD-LIBOR-BBA, subject to the additional terms set forth in the First Amended Transaction and (ii) from and including [_____], 2023 and thereafter, [TBD], subject to the additional terms set forth below.
Spread:	[TBD]
Designated Maturity:	[TBD]
Floating Rate Day Count Fraction:	[Actual/360]
Reset Date (for all periods other than the initial Calculation Period):	[TBD]
Method of Averaging:	[Inapplicable]
Compounding:	[Inapplicable]
Business Days:	New York

3. **Additional Termination Event.** The redemption by Counterparty in whole or in part of the Series 2007B Bonds maturing on November 15, 2025, pursuant to Section 4.02 of the Covered Indenture (as defined in the Agreement) shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Counterparty as the sole Affected Party, this Transaction (or portion thereof) as the sole Affected Transaction, and the Notional Amount for purposes of calculating the Settlement Amount equal to the amount of such redemption. Anything in the Agreement to the contrary notwithstanding, following the occurrence of such Additional Termination Event, Market Quotation and Second Method will apply for purposes of Section 6(e) of the Agreement, with the requirement for four Reference Market-makers deemed to be met by having MLCS make a quotation as if MLCS were the sole Reference Market-maker with respect thereto. If Counterparty finds unreasonable the quotation that MLCS makes pursuant to this provision, then the requirement for four Reference Market-makers shall be carried out as provided in the definition of Market Quotation. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued and unpaid amounts that would otherwise be due on the early termination date.

4. **Optional Redemption of Bonds.** Counterparty agrees and covenants that its right to optionally redeem bonds pursuant to Section 4.02 of the Covered Indenture is subject to the Counterparty being able to demonstrate to the reasonable satisfaction of MLCS that the Counterparty has sufficient funds to pay any amounts that would be owed by the Counterparty to MLCS pursuant to the terms of paragraph 3 above.

5. **Payment Instructions.**

To MLCS: Bank of America NA, New York - BOFAUS3N
FAO: Merrill Lynch Capital Services Inc
Fed ABA# 026009593
A/C# 6550-6-13528

To Counterparty: The Bank of New York Trust Co NA
ABA Routing Number: 021000018
Account Name: LB Gas OS Fund TAS 452229
Account Number: 111-565

6. Documents to be Delivered.

- (a) The following documents shall be delivered by Counterparty to MLCS on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to Counterparty with respect to the enforceability of this Confirmation against Counterparty;
 - (2) a certified copy of the resolution or resolutions (or the equivalent thereof) of the governing body of Counterparty, certified by an appropriate official of Counterparty, pursuant to which Counterparty is authorized to enter into this Confirmation; and
 - (3) evidence reasonably satisfactory to MLCS of the authority and genuine signature of the individual signing this Confirmation on behalf of Counterparty to execute the same.
- (b) The following documents shall be delivered by MLCS to Counterparty on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to MLCS with respect to the enforceability of this Confirmation against MLCS; and
 - (2) evidence reasonably satisfactory to Counterparty of the authority and genuine signature of the individual signing this Confirmation on behalf of MLCS to execute the same.

7. **Reduction in Notional Amount of Original Transaction.** Pursuant to the Termination Agreement, dated as of July 24, 2009, between Counterparty and MLCS, Counterparty and MLCS agreed to terminate their obligations under the Original Transaction with respect to \$9,650,000 of the Notional Amount of the Original Transaction (the "Terminated Portion") effective August 11, 2009 (the "Termination Date") and, in connection with the First Amended Transaction, each paid an amount consisting of all accrued but unpaid regularly scheduled payments owed by such party with respect to the Terminated Portion of the Original Transaction (such payments accruing from May 15, 2009 to but excluding the Termination Date).

8. **Additional Agreement of Counterparty.** In connection with this Transaction, Counterparty agrees that (i) MLCS is acting and has acted solely as a principal, and not as an agent, advisor or fiduciary of Counterparty, (ii) MLCS has not assumed a fiduciary responsibility in favor of Counterparty with respect to this Transaction and (iii) nothing in this Transaction or in any prior relationship between MLCS and Counterparty will be deemed to create an advisory, fiduciary or agency relationship between

MLCS and Counterparty in respect of this Transaction (whether or not MLCS or any affiliate of MLCS, has provided or is currently providing other services to Counterparty on related or other matters). In addition, Counterparty acknowledges that it has (i) determined, without reliance upon MLCS or any of its affiliates, the financial and economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of this Transaction and it is capable of assuming such risks, (ii) consulted with its own legal, tax, accounting and financial advisors to determine whether this Transaction is in its best interest and made an independent analysis and decision to enter into this Transaction based on such advice and (iii) retained PFM Swap Advisors LLC, as its financial advisor and has relied on PFM Swap Advisors LLC to provide advice to it with respect to this Transaction.

9. **Amended and Restated Transaction.** This Transaction amends and restates the First Amended Transaction which shall be of no further force or effect and neither MLCS nor Counterparty shall have any other or further obligations thereunder.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter substantially similar to this letter, which letter sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms

Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: _____
Name:
Title:

Confirmed as of the
date first above written:

LONG BEACH BOND FINANCE AUTHORITY

By: _____
Name:
Title:

Attest:

By: _____



H&K Draft
2/21/23

Admin No: 07MU03471

July 24, 2009

SECOND AMENDED AND RESTATED TRANSACTION
(as amended and restated as of [____], 2023)

Long Beach Bond Finance Authority
333 West Ocean Boulevard
Long Beach, CA 90802

Attn: Executive Director
Fax 562-570-5250
Phone 562-570-6427

Ladies and Gentlemen:

The purpose of this letter agreement is to amend and restate the terms and conditions of the transaction (the “Original Transaction,” as amended and restated on August 11, 2009 (the “First Amended Transaction”), as amended and restated as of [____], 2023, the “Transaction”), originally entered into between Merrill Lynch Capital Services, Inc. (“MLCS”) and Long Beach Bond Finance Authority (“Counterparty”) on the Trade Date specified below. This letter agreement constitutes a “Confirmation” as defined in the Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the “Definitions”) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation shall supplement, form a part of, and be subject to, the Master Agreement and the Schedule thereto, each dated as of September 12, 2007, as amended and supplemented from time to time (the “Agreement”), between MLCS and Counterparty. All provisions contained in such Agreement will govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Original Notional Amount (no longer in effect - see paragraph 7 below):	\$33,025,000.00, subject to reduction on the dates that the Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2026 (the “Series 2007B Bonds”), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule.
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Notional Amount (as amended and	\$25,175,000.00, subject to reduction on the dates that the
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restated pursuant to the First Amended Transaction):

Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2026 (the "Series 2007B Bonds"), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule.

Trade Date: September 12, 2007

Effective Date: October 18, 2007

Termination Date: November 15, 2026

FIXED AMOUNT:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to no adjustment.

Fixed Rate: (i) From and including the Effective Date to but excluding [____], 2023, 4.930% and (ii) from and including [____], 2023 and thereafter, [____]%.

Fixed Rate Day Count Fraction 30/360

FLOATING AMOUNT:

Floating Rate Payer: MLCS

Floating Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in

accordance with the Following Business Day Convention.

Floating Rate Option:	(i) From and including the Effective Date to but excluding [____], 2023, 67% of USD-LIBOR-BBA, subject to the additional terms set forth in the First Amended Transaction and (ii) from and including [____], 2023 and thereafter, [TBD], subject to the additional terms set forth below.
Spread:	[TBD]
Designated Maturity:	[TBD]
Floating Rate Day Count Fraction:	[Actual/360]
Reset Date (for all periods other than the initial Calculation Period):	[TBD]
Method of Averaging:	[Inapplicable]
Compounding:	[Inapplicable]
Business Days:	New York

3. **Additional Termination Event.** The redemption by Counterparty in whole or in part of the Series 2007B Bonds maturing on November 15, 2026, pursuant to Section 4.02 of the Covered Indenture (as defined in the Agreement) shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Counterparty as the sole Affected Party, this Transaction (or portion thereof) as the sole Affected Transaction, and the Notional Amount for purposes of calculating the Settlement Amount equal to the amount of such redemption. Anything in the Agreement to the contrary notwithstanding, following the occurrence of such Additional Termination Event, Market Quotation and Second Method will apply for purposes of Section 6(e) of the Agreement, with the requirement for four Reference Market-makers deemed to be met by having MLCS make a quotation as if MLCS were the sole Reference Market-maker with respect thereto. If Counterparty finds unreasonable the quotation that MLCS makes pursuant to this provision, then the requirement for four Reference Market-makers shall be carried out as provided in the definition of Market Quotation. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued and unpaid amounts that would otherwise be due on the early termination date.

4. **Optional Redemption of Bonds.** Counterparty agrees and covenants that its right to optionally redeem bonds pursuant to Section 4.02 of the Covered Indenture is subject to the Counterparty being able to demonstrate to the reasonable satisfaction of MLCS that the Counterparty has sufficient funds to pay any amounts that would be owed by the Counterparty to MLCS pursuant to the terms of paragraph 3 above.

5. **Payment Instructions.**

To MLCS: Bank of America NA, New York - BOFAUS3N
FAO: Merrill Lynch Capital Services Inc
Fed ABA# 026009593
A/C# 6550-6-13528

To Counterparty: The Bank of New York Trust Co NA
ABA Routing Number: 021000018
Account Name: LB Gas OS Fund TAS 452229
Account Number: 111-565

6. Documents to be Delivered.

- (a) The following documents shall be delivered by Counterparty to MLCS on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to Counterparty with respect to the enforceability of this Confirmation against Counterparty;
 - (2) a certified copy of the resolution or resolutions (or the equivalent thereof) of the governing body of Counterparty, certified by an appropriate official of Counterparty, pursuant to which Counterparty is authorized to enter into this Confirmation; and
 - (3) evidence reasonably satisfactory to MLCS of the authority and genuine signature of the individual signing this Confirmation on behalf of Counterparty to execute the same.
- (b) The following documents shall be delivered by MLCS to Counterparty on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to MLCS with respect to the enforceability of this Confirmation against MLCS; and
 - (2) evidence reasonably satisfactory to Counterparty of the authority and genuine signature of the individual signing this Confirmation on behalf of MLCS to execute the same.

7. **Reduction in Notional Amount of Original Transaction.** Pursuant to the Termination Agreement, dated as of July 24, 2009, between Counterparty and MLCS, Counterparty and MLCS agreed to terminate their obligations under the Original Transaction with respect to \$7,850,000 of the Notional Amount of the Original Transaction (the "Terminated Portion") effective August 11, 2009 (the "Termination Date") and, in connection with the First Amended Transaction, each paid an amount consisting of all accrued but unpaid regularly scheduled payments owed by such party with respect to the Terminated Portion of the Original Transaction (such payments accruing from May 15, 2009 to but excluding the Termination Date).

8. **Additional Agreement of Counterparty.** In connection with this Transaction, Counterparty agrees that (i) MLCS is acting and has acted solely as a principal, and not as an agent, advisor or fiduciary of Counterparty, (ii) MLCS has not assumed a fiduciary responsibility in favor of Counterparty with respect to this Transaction and (iii) nothing in this Transaction or in any prior relationship between MLCS and Counterparty will be deemed to create an advisory, fiduciary or agency relationship between

MLCS and Counterparty in respect of this Transaction (whether or not MLCS or any affiliate of MLCS, has provided or is currently providing other services to Counterparty on related or other matters). In addition, Counterparty acknowledges that it has (i) determined, without reliance upon MLCS or any of its affiliates, the financial and economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of this Transaction and it is capable of assuming such risks, (ii) consulted with its own legal, tax, accounting and financial advisors to determine whether this Transaction is in its best interest and made an independent analysis and decision to enter into this Transaction based on such advice and (iii) retained PFM Swap Advisors LLC, as its financial advisor and has relied on PFM Swap Advisors LLC to provide advice to it with respect to this Transaction.

9. **Amended and Restated Transaction.** This Transaction amends and restates the First Amended Transaction which shall be of no further force or effect and neither MLCS nor Counterparty shall have any other or further obligations thereunder.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter substantially similar to this letter, which letter sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms

Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: _____
Name:
Title:

Confirmed as of the
date first above written:

LONG BEACH BOND FINANCE AUTHORITY

By: _____
Name:
Title:

Attest:

By: _____



H&K Draft
2/21/23

Admin No: 07MU03472

July 24, 2009

SECOND AMENDED AND RESTATED TRANSACTION
(as amended and restated as of [____], 2023)

Long Beach Bond Finance Authority
333 West Ocean Boulevard
Long Beach, CA 90802

Attn: Executive Director
Fax 562-570-5250
Phone 562-570-6427

Ladies and Gentlemen:

The purpose of this letter agreement is to amend and restate the terms and conditions of the transaction (the “Original Transaction,” as amended and restated on August 11, 2009 (the “First Amended Transaction”), as amended and restated as of [____], 2023, the “Transaction”), originally entered into between Merrill Lynch Capital Services, Inc. (“MLCS”) and Long Beach Bond Finance Authority (“Counterparty”) on the Trade Date specified below. This letter agreement constitutes a “Confirmation” as defined in the Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the “Definitions”) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation shall supplement, form a part of, and be subject to, the Master Agreement and the Schedule thereto, each dated as of September 12, 2007, as amended and supplemented from time to time (the “Agreement”), between MLCS and Counterparty. All provisions contained in such Agreement will govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Original Notional Amount (no longer in effect - see paragraph 7 below):	\$31,570,000.00, subject to reduction on the dates that the Counterparty’s Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2027 (the “Series 2007B Bonds”), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule.
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Notional Amount (as amended and	\$24,630,000.00, subject to reduction on the dates that the
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restated pursuant to the First Amended Transaction):

Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2027 (the "Series 2007B Bonds"), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule.

Trade Date: September 12, 2007

Effective Date: October 18, 2007

Termination Date: November 15, 2027

FIXED AMOUNT:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to no adjustment.

Fixed Rate: (i) From and including the Effective Date to but excluding [____], 2023, 4.955% and (ii) from and including [____], 2023 and thereafter, [____]%.

Fixed Rate Day Count Fraction 30/360

FLOATING AMOUNT:

Floating Rate Payer: MLCS

Floating Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in

accordance with the Following Business Day Convention.

Floating Rate Option:	(i) From and including the Effective Date to but excluding [_____], 2023, 67% of USD-LIBOR-BBA, subject to the additional terms set forth in the First Amended Transaction and (ii) from and including [_____], 2023 and thereafter, [TBD], subject to the additional terms set forth below.
Spread:	[TBD]
Designated Maturity:	[TBD]
Floating Rate Day Count Fraction:	[Actual/360]
Reset Date (for all periods other than the initial Calculation Period):	[TBD]
Method of Averaging:	[Inapplicable]
Compounding:	[Inapplicable]
Business Days:	New York

3. **Additional Termination Event.** The redemption by Counterparty in whole or in part of the Series 2007B Bonds maturing on November 15, 2027, pursuant to Section 4.02 of the Covered Indenture (as defined in the Agreement) shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Counterparty as the sole Affected Party, this Transaction (or portion thereof) as the sole Affected Transaction, and the Notional Amount for purposes of calculating the Settlement Amount equal to the amount of such redemption. Anything in the Agreement to the contrary notwithstanding, following the occurrence of such Additional Termination Event, Market Quotation and Second Method will apply for purposes of Section 6(e) of the Agreement, with the requirement for four Reference Market-makers deemed to be met by having MLCS make a quotation as if MLCS were the sole Reference Market-maker with respect thereto. If Counterparty finds unreasonable the quotation that MLCS makes pursuant to this provision, then the requirement for four Reference Market-makers shall be carried out as provided in the definition of Market Quotation. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued and unpaid amounts that would otherwise be due on the early termination date.

4. **Optional Redemption of Bonds.** Counterparty agrees and covenants that its right to optionally redeem bonds pursuant to Section 4.02 of the Covered Indenture is subject to the Counterparty being able to demonstrate to the reasonable satisfaction of MLCS that the Counterparty has sufficient funds to pay any amounts that would be owed by the Counterparty to MLCS pursuant to the terms of paragraph 3 above.

5. **Payment Instructions.**

To MLCS: Bank of America NA, New York - BOFAUS3N
FAO: Merrill Lynch Capital Services Inc
Fed ABA# 026009593
A/C# 6550-6-13528

To Counterparty: The Bank of New York Trust Co NA
ABA Routing Number: 021000018
Account Name: LB Gas OS Fund TAS 452229
Account Number: 111-565

6. Documents to be Delivered.

- (a) The following documents shall be delivered by Counterparty to MLCS on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to Counterparty with respect to the enforceability of this Confirmation against Counterparty;
 - (2) a certified copy of the resolution or resolutions (or the equivalent thereof) of the governing body of Counterparty, certified by an appropriate official of Counterparty, pursuant to which Counterparty is authorized to enter into this Confirmation; and
 - (3) evidence reasonably satisfactory to MLCS of the authority and genuine signature of the individual signing this Confirmation on behalf of Counterparty to execute the same.
- (b) The following documents shall be delivered by MLCS to Counterparty on or prior to the date of execution of this Confirmation:
- (1) an opinion of counsel to MLCS with respect to the enforceability of this Confirmation against MLCS; and
 - (2) evidence reasonably satisfactory to Counterparty of the authority and genuine signature of the individual signing this Confirmation on behalf of MLCS to execute the same.

7. **Reduction in Notional Amount of Original Transaction.** Pursuant to the Termination Agreement, dated as of July 24, 2009, between Counterparty and MLCS, Counterparty and MLCS agreed to terminate their obligations under the Original Transaction with respect to \$6,940,000 of the Notional Amount of the Original Transaction (the "Terminated Portion") effective August 11, 2009 (the "Termination Date") and, in connection with the First Amended Transaction, each paid an amount consisting of all accrued but unpaid regularly scheduled payments owed by such party with respect to the Terminated Portion of the Original Transaction (such payments accruing from May 15, 2009 to but excluding the Termination Date).

8. **Additional Agreement of Counterparty.** In connection with this Transaction, Counterparty agrees that (i) MLCS is acting and has acted solely as a principal, and not as an agent, advisor or fiduciary of Counterparty, (ii) MLCS has not assumed a fiduciary responsibility in favor of Counterparty with respect to this Transaction and (iii) nothing in this Transaction or in any prior relationship between MLCS and Counterparty will be deemed to create an advisory, fiduciary or agency relationship between

MLCS and Counterparty in respect of this Transaction (whether or not MLCS or any affiliate of MLCS, has provided or is currently providing other services to Counterparty on related or other matters). In addition, Counterparty acknowledges that it has (i) determined, without reliance upon MLCS or any of its affiliates, the financial and economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of this Transaction and it is capable of assuming such risks, (ii) consulted with its own legal, tax, accounting and financial advisors to determine whether this Transaction is in its best interest and made an independent analysis and decision to enter into this Transaction based on such advice and (iii) retained PFM Swap Advisors LLC, as its financial advisor and has relied on PFM Swap Advisors LLC to provide advice to it with respect to this Transaction.

9. **Amended and Restated Transaction.** This Transaction amends and restates the First Amended Transaction which shall be of no further force or effect and neither MLCS nor Counterparty shall have any other or further obligations thereunder.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter substantially similar to this letter, which letter sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms

Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: _____

Name:

Title:

Confirmed as of the
date first above written:

LONG BEACH BOND FINANCE AUTHORITY

By: _____

Name:

Title:

Attest:

By: _____



H&K Draft
2/21/23

Admin No: 07MU03473

July 24, 2009

SECOND AMENDED AND RESTATED TRANSACTION
(as amended and restated as of [____], 2023)

Long Beach Bond Finance Authority
333 West Ocean Boulevard
Long Beach, CA 90802

Attn: Executive Director
Fax 562-570-5250
Phone 562-570-6427

Ladies and Gentlemen:

The purpose of this letter agreement is to amend and restate the terms and conditions of the transaction (the "Original Transaction," as amended and restated on August 11, 2009 (the "First Amended Transaction"), as amended and restated as of [____], 2023, the "Transaction"), originally entered into between Merrill Lynch Capital Services, Inc. ("MLCS") and Long Beach Bond Finance Authority ("Counterparty") on the Trade Date specified below. This letter agreement constitutes a "Confirmation" as defined in the Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation shall supplement, form a part of, and be subject to, the Master Agreement and the Schedule thereto, each dated as of September 12, 2007, as amended and supplemented from time to time (the "Agreement"), between MLCS and Counterparty. All provisions contained in such Agreement will govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Original Notional Amount (no longer in effect - see paragraph 7 below):

\$158,255,000.00, reducing on the dates and in the amounts set forth in Annex I, subject to further reduction on the dates that the Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2033 (the "Series 2007B Bonds"), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule, and following each such redemption, the amounts set forth for each

period in Annex I shall be deemed to have been revised to match the aggregate principal amount of such Series 2007B Bonds to remain outstanding in such period, assuming further redemption of such Series 2007B Bonds thereafter in accordance with Section 4.01(c) of the Covered Indenture but no other redemption provision thereunder.

Notional Amount (as amended and restated pursuant to the First Amended Transaction):

\$5,000, reducing on the dates and in the amounts set forth in Annex I, subject to further reduction on the dates that the Counterparty's Natural Gas Purchase Revenue Bonds, Series 2007B maturing on November 15, 2033 (the "Series 2007B Bonds"), are redeemed pursuant to Section 4.01(a) or 4.01(b) of the Covered Indenture as set forth in Part 1(f)(ii) of the Schedule, and following each such redemption, the amounts set forth for each period in Annex I shall be deemed to have been revised to match the aggregate principal amount of such Series 2007B Bonds to remain outstanding in such period, assuming further redemption of such Series 2007B Bonds thereafter in accordance with Section 4.01(c) of the Covered Indenture but no other redemption provision thereunder.

Trade Date:

September 12, 2007

Effective Date:

October 18, 2007

Termination Date:

November 15, 2033

FIXED AMOUNT:

Fixed Rate Payer:

Counterparty

Fixed Rate Payer Payment Dates:

November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Payer Period End Dates:

November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to no adjustment.

Fixed Rate:

(i) From and including the Effective Date to but excluding [____], 2023, 5.067% and (ii) from and including [____], 2023 and thereafter, [____]%.

Fixed Rate Day Count Fraction 30/360

FLOATING AMOUNT:

Floating Rate Payer: MLCS

Floating Rate Payer Payment Dates: November 15, 2007 and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: November 15, 2007, and the 15th day of each February, May, August, and November thereafter, terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Option: (i) From and including the Effective Date to but excluding [____], 2023, 67% of USD-LIBOR-BBA, subject to the additional terms set forth in the First Amended Transaction and (ii) from and including [____], 2023 and thereafter, [TBD], subject to the additional terms set forth below.

Spread: [TBD]

Designated Maturity: [TBD]

Floating Rate Day Count Fraction: [Actual/360]

Reset Date (for all periods other than the initial Calculation Period): [TBD]

Method of Averaging: [Inapplicable]

Compounding: [Inapplicable]

Business Days: New York

3. **Additional Termination Event.** The redemption by Counterparty in whole or in part of the Series 2007B Bonds maturing on November 15, 2033, pursuant to Section 4.02 of the Covered Indenture (as defined in the Agreement) shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Counterparty as the sole Affected Party, this Transaction (or portion thereof) as the sole Affected Transaction, and the Notional Amount for purposes of calculating the Settlement Amount equal to the amount of such redemption. Anything in the Agreement to the contrary

notwithstanding, following the occurrence of such Additional Termination Event, Market Quotation and Second Method will apply for purposes of Section 6(e) of the Agreement, with the requirement for four Reference Market-makers deemed to be met by having MLCS make a quotation as if MLCS were the sole Reference Market-maker with respect thereto. If Counterparty finds unreasonable the quotation that MLCS makes pursuant to this provision, then the requirement for four Reference Market-makers shall be carried out as provided in the definition of Market Quotation. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued and unpaid amounts that would otherwise be due on the early termination date.

4. **Optional Redemption of Bonds.** Counterparty agrees and covenants that its right to optionally redeem bonds pursuant to Section 4.02 of the Covered Indenture is subject to the Counterparty being able to demonstrate to the reasonable satisfaction of MLCS that the Counterparty has sufficient funds to pay any amounts that would be owed by the Counterparty to MLCS pursuant to the terms of paragraph 3 above.

5. **Payment Instructions.**

To MLCS: Bank of America NA, New York - BOFAUS3N
FAO: Merrill Lynch Capital Services Inc
Fed ABA# 026009593
A/C# 6550-6-13528

To Counterparty: The Bank of New York Trust Co NA
ABA Routing Number: 021000018
Account Name: LB Gas OS Fund TAS 452229
Account Number: 111-565

6. **Documents to be Delivered.**

(a) The following documents shall be delivered by Counterparty to MLCS on or prior to the date of execution of this Confirmation:

- (1) an opinion of counsel to Counterparty with respect to the enforceability of this Confirmation against Counterparty;
- (2) a certified copy of the resolution or resolutions (or the equivalent thereof) of the governing body of Counterparty, certified by an appropriate official of Counterparty, pursuant to which Counterparty is authorized to enter into this Confirmation; and
- (3) evidence reasonably satisfactory to MLCS of the authority and genuine signature of the individual signing this Confirmation on behalf of Counterparty to execute the same.

(b) The following documents shall be delivered by MLCS to Counterparty on or prior to the date of execution of this Confirmation:

- (1) an opinion of counsel to MLCS with respect to the enforceability of this Confirmation against MLCS; and
- (2) evidence reasonably satisfactory to Counterparty of the authority and genuine

signature of the individual signing this Confirmation on behalf of MLCS to execute the same.

7. **Reduction in Notional Amount of Original Transaction.** Pursuant to the Termination Agreement, dated as of July 24, 2009, between Counterparty and MLCS, Counterparty and MLCS agreed to terminate their obligations under the Original Transaction with respect to \$158,250,000 of the Notional Amount of the Original Transaction (the “Terminated Portion”) effective August 11, 2009 (the “Termination Date”) and, in connection with the First Amended Transaction, each paid an amount consisting of all accrued but unpaid regularly scheduled payments owed by such party with respect to the Terminated Portion of the Original Transaction (such payments accruing from May 15, 2009 to but excluding the Termination Date).

8. **Additional Agreement of Counterparty.** In connection with this Transaction, Counterparty agrees that (i) MLCS is acting and has acted solely as a principal, and not as an agent, advisor or fiduciary of Counterparty, (ii) MLCS has not assumed a fiduciary responsibility in favor of Counterparty with respect to this Transaction and (iii) nothing in this Transaction or in any prior relationship between MLCS and Counterparty will be deemed to create an advisory, fiduciary or agency relationship between MLCS and Counterparty in respect of this Transaction (whether or not MLCS or any affiliate of MLCS, has provided or is currently providing other services to Counterparty on related or other matters). In addition, Counterparty acknowledges that it has (i) determined, without reliance upon MLCS or any of its affiliates, the financial and economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of this Transaction and it is capable of assuming such risks, (ii) consulted with its own legal, tax, accounting and financial advisors to determine whether this Transaction is in its best interest and made an independent analysis and decision to enter into this Transaction based on such advice and (iii) retained PFM Swap Advisors LLC, as its financial advisor and has relied on PFM Swap Advisors LLC to provide advice to it with respect to this Transaction.

9. **Amended and Restated Transaction.** This Transaction amends and restates the First Amended Transaction which shall be of no further force or effect and neither MLCS nor Counterparty shall have any other or further obligations thereunder.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter substantially similar to this letter, which letter sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms

Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: _____
Name:
Title:

Confirmed as of the
date first above written:

LONG BEACH BOND FINANCE AUTHORITY

By: _____
Name:
Title:

Attest:

By: _____

Annex I
to Confirmation, dated July 24, 2009,
amended and restated as of [____], 2023,
between Merrill Lynch Capital Services, Inc. and
Long Beach Bond Finance Authority

<u>Reduction Date</u>	<u>Notional Amount Reduction</u>	<u>Resulting Notional Amount</u>
11/15/2033*	\$5,000	\$0

* Termination Date.