

ISSUING AND PAYING AGENT AGREEMENT

by and between

CITY OF LONG BEACH

and

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Issuing and Paying Agent

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)

ISSUING AND PAYING AGENT AGREEMENT

This **ISSUING AND PAYING AGENT AGREEMENT** (this “Agreement”), dated as of July 1, 2005, is made by and between the **CITY OF LONG BEACH** a charter city and municipal corporation organized and existing under the Constitution 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 issuing and paying agent (the “Issuing and Paying Agent”).

RECITALS

1. Pursuant to the Master Subordinate Trust Indenture, dated as of July 1, 2005 (the “Master Subordinate Trust Indenture”) by and between 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 Subordinate Indenture,” and together with the Master Subordinate Trust Indenture, the “Indenture”) by and between the City and the Trustee, the City desires to implement a Commercial Paper Program within the meaning of the Indenture; and

2. The City, for the purpose of providing financing of certain of its projects, will execute and deliver the First Supplemental Subordinate Indenture, which shall set 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 not to exceed \$35,000,000 and provide for the deposit and use of the proceeds of the Commercial Paper Notes and make other provisions relating to the Commercial Paper Notes.

3. The City has determined to enter into this Agreement in order to provide for the authentication and delivery of its Commercial Paper Notes and for the transfer of moneys relating to the Commercial Paper Program.

4. The City has determined that all acts, conditions and things required by law exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Agreement.

NOW, THEREFORE, THE PARTIES TO THIS AGREEMENT HEREBY AGREE, that in order to secure the payment of the principal of and interest on all of the Commercial Paper Notes at any time issued, authenticated and delivered under the Indenture and this Agreement, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in this Agreement and the Indenture, and in consideration of the promises and of the material covenants contained in this Agreement and the Indenture and of the purchase and acceptance of the Commercial Paper Notes by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the City does hereby agree and covenant with the Issuing and Paying Agent for the benefit of the

respective Owners, from time to time, of the Commercial Paper Notes, or any part thereof, and the Credit Provider, as follows:

Section 1. Definitions. Unless otherwise defined herein, all terms used herein shall have the meanings assigned to such terms in the Indenture.

Section 2. Appointment of Agent. The City hereby appoints Deutsche Bank National Trust Company, as Issuing and Paying Agent, and Deutsche Bank National Trust Company hereby accepts such appointment as the Issuing and Paying Agent in connection with the issuance and payment of the Commercial Paper Notes pursuant to the Indenture. The Issuing and Paying Agent hereby agrees to observe and perform its duties and obligations hereunder and under the Indenture and the First Supplemental Subordinate Indenture.

Section 3. Supply of Commercial Paper Notes. Except as otherwise provided under Section 2.09 of the First Supplemental Subordinate Indenture, the City will furnish the Issuing and Paying Agent with an adequate supply of Commercial Paper Notes from time to time, which will be serially numbered within each Series and will have been executed by manual or facsimile signature, in accordance with the terms of the First Supplemental Subordinate Indenture, with the purchaser, principal amount, the maturity date, the interest rate, original issue date, interest amount, and registered owner left blank. Pending receipt of Instructions, as provided in the First Supplemental Subordinate Indenture, the Issuing and Paying Agent will hold the Commercial Paper Notes in safekeeping for the account of the City in accordance with the Issuing and Paying Agent's customary practice. The Issuing and Paying Agent shall register the Commercial Paper Notes in accordance with Section 2.09(e) of the First Supplemental Subordinate Indenture.

Section 4. Designated Representatives. From time to time the City will furnish the Issuing and Paying Agent with a certificate certifying the incumbency and specimen signatures of Designated Representatives (as defined in the First Supplemental Subordinate Indenture) authorized to execute and deliver Change in Available Authorized Amount Certificate and of officers or agents of the City authorized to execute Commercial Paper Notes on behalf of the City by manual or facsimile signature. Until the Issuing and Paying Agent receives a subsequent incumbency certificate of the City, the Issuing and Paying Agent is entitled to rely on the last such certificate delivered to the Issuing and Paying Agent for purposes of determining the Designated Representatives and other authorized signatories.

The Issuing and Paying Agent shall not have any responsibility to the City to determine by whom or by what means a facsimile signature may have been affixed on the Commercial Paper Notes, or to determine whether any facsimile or manual signature resembles the specimen signature(s) filed with the Issuing and Paying Agent by a duly authorized officer of the City.

Section 5. Completion, Authentication and Delivery of Commercial Paper Notes.

(a) Instructions for the issuance of Commercial Paper Notes will be given to the Issuing and Paying Agent as provided in Section 2.07 of the First Supplemental Subordinate Indenture. Upon receipt of the Instructions and subject to the conditions, limitations and restrictions set forth in Section 2.07 and Section 2.09 of the First Supplemental Subordinate Indenture, the Issuing and Paying Agent shall in accordance with such Instructions:

- (i) complete each Commercial Paper Note;
- (ii) manually sign the Certificate of Authentication on each Commercial Paper Note by any one of the Issuing and Paying Agent's officers or employees duly authorized and designated for this purpose;
- (iii) deliver the Commercial Paper Note(s) to the Dealer or its nominee or its agent, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such instructions; and
- (iv) deliver the Advices to the Depository in accordance with the First Supplemental Subordinate Indenture.

(b) The Issuing and Paying Agent agrees to inform the City immediately if the Dealer or its agent has not remitted payment to the Issuing and Paying Agent or to the Trustee at the Issuing and Paying Agent's request by 2:15 p.m., New York City time, on the date of delivery of such Commercial Paper Notes. The Issuing and Paying Agent also agrees to inform the City by 2:00 p.m., New York City time, on the Maturity Date of any Commercial Paper Notes if the Credit Provider has not remitted an Advance to the Issuing and Paying Agent sufficient to pay principal and/or interest on the Commercial Paper Notes maturing on such Maturity Date. 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.

Section 6. Proceeds of Sale of the Commercial Paper Notes. Contemporaneously with the execution and delivery of this Agreement, and for the purposes of this Agreement, the Issuing and Paying Agent, acting for such purposes as agent of the Trustee, shall establish, as provided in Section 3.01 of the First Supplemental Subordinate Indenture, separate accounts and subaccounts in the Debt Service Fund to be known as the Series A Account (and within the Series A Account, a Program Subaccount for each commercial paper "program" as defined in the Tax Certificate) and the Series B Account, all of which shall be held and used as provided in the First Supplemental Subordinate Indenture and, in particular, Sections 3.01, 3.05 and 3.07 thereof.

Section 7. Letter of Credit. Prior to the issuance of the first Commercial Paper Notes, there will be delivered to the Issuing and Paying Agent an irrevocable direct pay Letter of Credit to be issued by JPMorgan Chase Bank, N.A., and the Issuing and Paying Agent is to draw upon such Letter of Credit to pay principal of and interest on each maturing Commercial Paper Note at the times provided for in Section 3.06 of the First Supplemental Subordinate Indenture and pursuant to the terms of the Letter of Credit. The Issuing and Paying Agent hereby agrees to deposit the proceeds received from such draws, as provided in the First Supplemental Subordinate Indenture.

Section 8. Payment of Commercial Paper Notes. The Issuing and Paying Agent hereby agrees to make payment on the maturing Commercial Paper Notes from funds provided in the Debt Service Fund at the times, in the manner and from the sources described in the First Supplemental Subordinate Indenture.

Section 9. Reliance on Instructions. The Issuing and Paying Agent shall incur no liability to the City in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof believed in good faith to have been given by a Designated Representative or an Authorized City Representative, as the case may be. In the event a discrepancy exists between the telephonic instructions, as electronically recorded and understood by the Issuing and Paying Agent, and instructions given in writing, then the electronically recorded telephonic instructions shall be deemed to control; provided, that if the Issuing and Paying Agent does not electronically record such telephonic instructions, then instructions given in writing will be deemed the controlling and proper instructions.

Section 10. Compliance With First Supplemental Subordinate Indenture. The Issuing and Paying Agent hereby agrees to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent under the First Supplemental Subordinate Indenture and, in addition, agrees:

(a) to hold all sums held by the Issuing and Paying Agent for the payment of the principal of or interest on Commercial Paper Notes in trust for the benefit of the holders until such sums shall be paid to such holders or otherwise disposed of as provided in the First Supplemental Subordinate Indenture;

(b) to hold all proceeds of the sale of the Commercial Paper Notes, to the extent not transferred to the Trustee, in trust for the benefit of the Bank until the Bank has been reimbursed for draws made under the Letter of Credit with all or a portion of such proceeds, with the remainder of such proceeds disposed of as provided in the First Supplemental Subordinate Indenture;

(c) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection, including sending copies of such books and records so requested for inspection, by the City, the Trustee and the Credit Provider on each Business Day during reasonable business hours; and

(d) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Issuing and Paying Agent.

Section 11. Notice; Addresses.

(a) All communications by or on behalf of the City or the Dealer, by telephone or otherwise, relating to the completion, delivery or payment of the Commercial Paper Note(s) are to be directed to the Issuing and Paying Agent's Corporate Trust Department (or such other department or division which the Issuing and Paying Agent shall specify in writing to the City and the Dealer(s)) at the address set forth below which the Issuing and Paying Agent hereby designates as its principal office. The City will send all Commercial Paper Notes to be completed and delivered by the Issuing and Paying Agent to the Issuing and Paying Agent's Corporate Trust Department (or such other department or division as the Issuing and Paying Agent shall specify in writing to the City). The Issuing and Paying Agent shall advise the City and the Dealer from time to time of the individuals generally responsible for the administration of this Agreement

and will from time to time certify incumbency and specimen signatures of officers or employees authorized to countersign Commercial Paper Notes and will supply a list of employees authorized to receive telephone instructions.

(b) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

If to the City at:	City of Long Beach 333 West Ocean Boulevard 6 th Floor Long Beach, California 90802 Attention: City Treasurer Telephone No.: (562) 570-6845 Facsimile No.: (562) 570-5260
If to the Issuing and Paying Agent at:	Deutsche Bank National Trust Company Attention: Christina Van-Ryzin 60 Wall Street, MS 2715 New York, NY 10005
If to the Credit Provider at:	JPMorgan Chase Bank, N.A. 300 South Riverside Plaza, 7 th 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
If to the Dealer at:	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

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, “when received” shall mean actual receipt (i) of an electronic communication by a telefax machine, telecopier or other electronic communications method (such as a timesharing terminal); (ii) an oral communication by any person answering the telephone at the Issuing and Paying Agent’s office specified in Section 11(a) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (iii) of a written communication hand delivered at the office specified above.

Section 12. Noteline Direct System. The City understands that all instructions under this Agreement are to be directed to the Issuing and Paying Agent's Commercial Paper Department. The City is granted a personal, non-transferable and non-exclusive right to use the instruction and reporting communication service Noteline Direct (the "Issuance System") to transmit through the Issuance System instructions made pursuant to Section 5 herein. The City may, by separate agreement between the City and one or more of its Dealers, authorize the Dealer to directly access the Issuance System for the purposes of transmitting instructions to the Issuing and Paying Agent or obtaining reports with respect to the Commercial Paper Notes.

The City acknowledges that (a) some or all of the services utilized in connection with the Issuance System are furnished by Digital Transactions Inc. ("DTI"), Dynamic Microprocessor Associates Inc. ("DMA") and Issuing and Paying Agent, (b) the Issuance System is provided to the City "AS IS" without warranties or representations of any kind whatsoever by DTI, DMA or the Issuing and Paying Agent, and (c) the Issuance System is proprietary and confidential property disclosed to the City in confidence and only on the terms and conditions and for purposes set forth in this Agreement.

By this Agreement, the City acquires no title, ownership or sublicensing rights whatsoever in the Issuance System or in any trade secret, trademark, copyright or patent of the Issuing and Paying Agent, DTI, or DMA now or to become applicable to the Issuance System. The City may not transfer, sublicense, assign, rent, lease, convey, modify, translate, convert to a programming language, decompile, disassemble, recirculate, republish or redistribute the Issuance System for any purpose without the prior written consent of the Issuing and Paying Agent and, where necessary, DTI and DMA.

In the event (a) any action is taken or threatened which may result in a disclosure or transfer of the Issuance System or any part thereof; other than as authorized by this Agreement, or (b) the use of any trademark, trade name, service mark, service name, copyright or patent of the Issuing and Paying Agent, DTI or DMA by the City amounts to unfair competition, or otherwise constitutes a possible violation of any kind, then the Issuing and Paying Agent and/or DTI and/or DMA shall have the right to take any and all action deemed necessary to protect their rights in the Issuance System, and to avoid the substantial and irreparable damage which would result from such disclosure, transfer or use, including the immediate termination of the City's right to use the Issuance System.

To permit the use of the Issuance System to issue instructions and/or obtain reports with respect to the Commercial Paper Notes, the Issuing and Paying Agent will supply the City with an identification number and initial passwords. From time to time thereafter, the City may change its passwords directly through the Issuance System. The City will keep all information relating to its identification number and passwords strictly confidential and will be responsible for the maintenance of adequate security over its customer identification number and passwords. For security purposes, the City should change its passwords frequently (at least once a year).

Instructions transmitted over the Issuance System and received by the Issuing and Paying Agent accompanied by the City's identification number and the passwords, shall be deemed conclusive evidence that such instructions are correct and complete and that the action directed thereby has duly authorized by the City.

If the Issuance System is inoperable at any time, an Authorized Representative of the City or the Dealer may deliver written instructions to the Issuing and Paying Agent, which instructions shall be verified in accordance with any security procedures agreed upon by the parties.

Section 13. Additional Information. Upon the reasonable request of the City given at any time and from time to time, the Issuing and Paying Agent shall promptly provide the City with information with respect to the Commercial Paper Note(s) issued and paid hereunder. Such request shall be in written form and shall include the serial number, principal amount, date of issue, maturity date and amount of interest, if any, of each Commercial Paper Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made. The Issuing and Paying Agent and the City shall discuss from time to time the extent to which such information is reasonably available and the times at which the Issuing and Paying Agent can reasonably furnish such information. In addition, the Issuing and Paying Agent shall provide the City and the Credit Provider a monthly summary setting forth all Commercial Paper Note activity and all activity in the Series A Account in the Debt Service Fund and the Series B Account in the Debt Service Fund for the preceding month.

Section 14. Liability; Indemnity. The Issuing and Paying Agent may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) the Issuing and Paying Agent shall not be liable for any error of judgment made in good faith unless the Issuing and Paying Agent was negligent in ascertaining the pertinent facts; and

(b) the Issuing and Paying Agent shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from the City in the manner provided in the First Supplemental Subordinate Indenture.

The Issuing and Paying Agent shall not, by any provision of this Agreement or the First Supplemental Subordinate Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction. The Issuing and Paying Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement or the First Supplemental Subordinate Indenture at the request or direction of any of the holders of the Commercial Paper Notes, unless such holders shall have offered to the Issuing and Paying Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The City agrees to indemnify, to the extent permitted by law, and hold the Issuing and Paying Agent harmless against costs, claims, expenses or liabilities, not arising from the Issuing and Paying Agent's own negligence, misconduct or breach of duty, which the Issuing and Paying Agent may incur in the exercise and performance of its rights and obligations hereunder. Such obligation shall survive the termination of this Agreement or the resignation or removal of the Issuing and Paying Agent. The forgoing entitlement to indemnity shall not apply or be a

condition to the Issuing and Paying Agent's obligation and duty to make payments to the holders with respect to the Commercial Paper Notes.

The Issuing and Paying Agent's duties under this Agreement are ministerial in nature. The Issuing and Paying Agent shall have no duty or responsibility in the case of any default by the City in the performance of any of its covenants herein or in the Commercial Paper Notes. The Issuing and Paying Agent may consult with legal counsel of its choice and shall not be liable for any action taken or not taken by it in good faith reliance upon the opinion or advice of such counsel. The Issuing and Paying Agent may act through agents and attorneys and shall not be liable for any acts of such agents or attorneys if appointed by it with reasonable care. The Issuing and Paying Agent shall have no duty to risk or advance its own funds in the performance of any of its duties hereunder. The Issuing and Paying Agent shall be protected in acting upon any notice, order, requisition, consent, request, certificate, order, opinion, or other paper or document deemed by it to be genuine and to have been sent or signed by the proper person or persons. The Issuing and Paying Agent shall not be responsible for the correctness of any recital in the Commercial Paper Notes or in any offering materials for the Commercial Paper Notes or for the validity of the Commercial Paper Notes.

Section 15. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue of this Agreement without the consent of the Credit Provider. The Credit Provider is an intended third party beneficiary of this Agreement.

Section 16. Termination. This Agreement may be terminated at any time by either the Issuing and Paying Agent or the City by 30 days' prior written notice to the other and to each party required to receive such notice pursuant to the First Supplemental Subordinate Indenture, but such termination shall not affect the respective liabilities of the parties hereunder arising prior to such termination and no such removal or resignation shall be effective until a replacement Issuing and Paying Agent shall be in office as provided under the First Supplemental Subordinate Indenture.

Section 17. Governing Law. This Agreement is to be delivered and performed in, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of California.

Section 18. Fees. The Issuing and Paying Agent shall receive fees from the City for acting as Issuing and Paying Agent hereunder in accordance with the schedule attached hereto as Exhibit A.

Section 19. Counterparts. This Agreement may be signed in several counterparts. Each will be an original but all of them together constitute the same instrument.

[End of Issuing and Paying Agent Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Issuing and Paying Agent 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

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Issuing and Paying Agent

By _____
Authorized Representative

By _____
Authorized Representative

[Signature page to the Issuing and
Paying Agent Agreement]

EXHIBIT A
(Issuing and Paying Agent Fees)