

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

RESOLUTION NO. RES-09-0056

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2  
3 A RESOLUTION OF THE CITY COUNCIL OF THE  
4 CITY OF LONG BEACH APPROVING ISSUANCE BY THE  
5 BOARD OF WATER COMMISSIONERS, ON BEHALF OF  
6 THE CITY OF LONG BEACH, OF UP TO \$20,000,000 OF  
7 SENIOR SEWER REVENUE COMMERCIAL PAPER  
8 NOTES SECURED BY REVENUES OF THE CITY'S  
9 SEWER SYSTEM

10  
11 WHEREAS, the Charter of the City of Long Beach (the "Charter") and  
12 Sections 3.52.110 through 3.52.150, inclusive, of the Long Beach Municipal Code (the  
13 "Code") provide a procedure for the issuance of revenue bonds by the City of Long  
14 Beach, California (the "City") or by a Board of Commissioners, acting for and on behalf of  
15 the City; and

16 WHEREAS, Section 1725 of Article XVII of the Charter provides a  
17 procedure for the issuance of short-term revenue certificates by the City or by a Board of  
18 Commissioners, acting for and on behalf of the City; and

19 WHEREAS, the Board of Water Commissioners of the City (the "Board"), on  
20 behalf of the City, pursuant to Section 1725 of Article XVII of the Charter, proposes to  
21 issue from time to time commercial paper notes in an aggregate principal amount not to  
22 exceed \$20,000,000 at any one time outstanding, which commercial paper notes shall be  
23 designated as "City of Long Beach, California Senior Sewer Revenue Commercial Paper  
24 Notes, Series A (Tax-Exempt) (the "Series A Notes") and "City of Long Beach, California  
25 Senior Sewer Revenue Commercial Paper Notes, Series B (Taxable) (the "Series B  
26 Notes," and together with the Series A Notes, the "Commercial Paper Notes") for  
27 purposes of the sewer enterprise of the Water Department of the City necessary and  
28 incidental to the collection of the City's sanitary sewage; and

1           WHEREAS, the Board has previously adopted a resolution pursuant to  
2 which the Board approved the issuance and delivery of the Commercial Paper Notes in  
3 an aggregate principal amount not to exceed \$20,000,000 at any one time outstanding  
4 and the documents incidental to the issuance of the Commercial Paper Notes; and

5           WHEREAS, the Commercial Paper Notes will be issued from time to time  
6 pursuant to a Master Senior Trust Indenture (the "Master Senior Indenture"), to be  
7 entered into by the Board, acting on its own behalf and on behalf of the City, and U.S.  
8 Bank National Association, as trustee (the "Trustee"), and a First Supplemental Senior  
9 Trust Indenture (the "First Supplemental Senior Indenture"), to be entered into by the  
10 Board, acting on its own behalf and on behalf of the City, and the Trustee, forms of which  
11 are attached hereto as "Exhibit A"; and

12           WHEREAS, such commercial paper program will be supported by credit  
13 enhancement in the form of an irrevocable direct pay letter of credit (the "Letter of Credit")  
14 to be issued initially by Union Bank, N.A. (together with any other bank substituted as a  
15 credit facility or added as an issuer of the Letter of Credit, the "Bank") pursuant to a  
16 Reimbursement Agreement (the "Reimbursement Agreement") between the Board,  
17 acting on its own behalf and on behalf of the City, and the Bank;

18           NOW, THEREFORE, the City Council of the City of Long Beach resolves as  
19 follows:

20           Section 1. That the City Council, acting pursuant to Section 1725 of  
21 Article XVII of the Charter and Sections 3.52.110 through 3.52.150, inclusive, of the  
22 Code, does hereby approve the issuance, from time to time, of the Commercial Paper  
23 Notes in an aggregate principal amount not to exceed \$20,000,000 at any one time  
24 outstanding, pursuant to the Master Senior Indenture and the First Supplemental Senior  
25 Indenture, with such changes, completions, insertions or omissions as shall be approved  
26 by the officer of the Board or the Water Department executing the Master Senior  
27 Indenture and the First Supplemental Senior Indenture.

28           Section 2. That the City Clerk is hereby authorized and directed to

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

1 forward to the Board, without a delay, a certified copy of this resolution.

2 Section 3. This resolution shall take effect immediately upon its adoption  
3 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

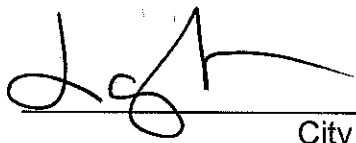
4 I hereby certify that the foregoing resolution was adopted by the City  
5 Council of the City of Long Beach at its meeting of June 2, 2009 by the following vote:

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Ayes: Councilmembers: Garcia, S. Lowenthal, O'Donnell,  
Schipske, Andrews, Reyes Uranga,  
Gabelich, Lerch.

Noes: Councilmembers: None.

Absent: Councilmembers: DeLong.

  
\_\_\_\_\_  
City Clerk

**MASTER SENIOR TRUST INDENTURE**

by and between the

**BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH**

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

(Sewer Revenue Fund)

Dated as of [\_\_\_\_\_] 1, 2009

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## MASTER SENIOR TRUST INDENTURE

**THIS MASTER SENIOR TRUST INDENTURE** (this "*Master Senior Indenture*"), dated as of [\_\_\_\_\_] 1, 2009, is made by and between the **BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH**, a commission existing under the charter of the City of Long Beach (the "*Board*"), acting on its own behalf and on behalf of 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 **U.S. BANK NATIONAL ASSOCIATION**, as trustee (the "*Trustee*").

### RECITALS

WHEREAS, the City is a city organized and existing under the Charter of the City of Long Beach (the "*Charter*") duly and regularly adopted pursuant to the provisions of the Constitution of the State of California (the "*State*"); and

WHEREAS, pursuant to Article XIV of the Charter, the Board presently has exclusive jurisdiction and control over all water works necessary and incidental to the acquisition, treatment, use, sale and distribution of water owned and controlled by the City and is responsible for the operation and maintenance of the City's sanitary sewage system; and

WHEREAS, the City is authorized under the Charter and Sections 3.52.110 et seq. of the Long Beach Municipal Code, to issue revenue bonds for the purpose of financing improvements to the Enterprise (as hereinafter defined) and the Board is authorized under the Charter and Section 3.52.110 et seq. of the Long Beach Municipal Code to take action on behalf of the City and to execute all documents in furtherance of the issuance of such revenue bonds; and

WHEREAS, pursuant to Section 1725(a) of Article XVII of the Charter, the City, acting by and through the Board, with the prior approval of the City Council, is authorized to issue on behalf of the City, short-term revenue certificates for the purpose of financing improvements to the Enterprise; and

WHEREAS, the Board has determined that it is necessary and advisable to issue Bonds (as hereinafter defined) for the purpose of financing improvements to the Enterprise, to provide for a trust arrangement pledging the Net Revenues (as hereinafter defined) and the other security set forth in the Granting Clause of this Master Senior Indenture, to secure all obligations issued or incurred in accordance with the terms of this Master Senior Indenture and providing such Net Revenues and such other security set forth in the Granting Clause of this Master Senior Indenture as a source of payment for all obligations issued or incurred in accordance with the terms of this Master Senior Indenture; and

WHEREAS, all obligations issued or incurred in accordance with the terms of Article II hereof and secured hereunder by a pledge of the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture are herein referred to as "*Bonds*"; and

WHEREAS, the Board wishes to provide in this Master Senior Indenture for the issuance and payment of its Bonds and the pledge of the Net Revenues and the other security set forth in



the Granting Clause of this Master Senior Indenture thereto, and the Trustee is willing to accept the trusts provided in this Master Senior Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board and the City Council of the City have authorized the execution of this Master Senior Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Master Senior Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Master Senior Indenture have been in all respects duly authorized.

NOW, THEREFORE, the Board, on its own behalf and on behalf of the City, and the Trustee agree as follows, each for the benefit of the other and/or the benefit of Holders of the Bonds by this Master Senior Indenture:

#### **GRANTING CLAUSE**

To secure the payment of the principal and premium, if any, of, the interest on and such other amounts due on the Bonds and the performance and observance by the Board and the City of all the covenants, agreements and conditions expressed or implied herein or contained in the Bonds, the Board, on its own behalf and on behalf of the City, hereby pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Board and the City in and to all of the following and provides that, such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the Board, on its own behalf and on behalf of the City, in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under this Master Senior Indenture, and to the extent provided in any Supplemental Indenture, moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) of this Granting Clause, and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security hereunder, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. Any Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement, if any, and any other security, Liquidity Facility or Credit Facility provided for specific Bonds, a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, Series of Bonds or one or more Series of Bonds and, therefore, shall not be

included as security for all Bonds under this Master Senior Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities held in trust as provided in Section 4.07 hereof exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under Article VII hereof shall be held solely for the payment of such specific Bonds.

## ARTICLE I

### DEFINITIONS; INTERPRETATION

The capitalized terms used in this Master Senior Indenture and in any Supplemental Indenture shall, for all purposes of this Master Senior Indenture, have the meanings specified in this Article I, unless a different definition is given such term in said Supplemental Indenture or unless the context clearly requires otherwise.

*“Accreted Value”* shall mean (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond or Original Issue Discount Bond.

*“Act”* shall mean collectively the Bond Law and the Charter.

*“Additional Revenues”* shall mean, with respect to the issuance of any Bonds, an allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the issuance of such Bonds, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the Board, all as shown by the certificate or opinion of a Consultant employed by the Board.

*“Aggregate Annual Debt Service”* shall mean for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Bonds. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service shall be computed as follows:

(a) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds in accordance with any amortization schedule in the Supplemental Indenture or in such other governing documents that set forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the interest due in

each year, interest payable at a fixed rate shall (except to the extent clause (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Bonds shall be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year; and in determining the other amounts due on the Bonds, if any, in each year, such amounts shall be assumed to be made on the Outstanding Bonds in accordance with the terms of the Supplemental Indenture or such other governing documents that set forth the terms of such Bonds;

(b) if all or any portion or portions of an Outstanding Series of Bonds constitute Balloon Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless provision clause (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Bonds, only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in clause (a) above or such other provision of this definition as shall be applicable and, with respect to any Series, or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in clause (a) above or such other provision of this definition as shall be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in clause (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date and clause (b) above shall not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Board Representative stating that the Board intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Enterprise is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption shall not

result in an interest rate lower than that which would be assumed under clause (b) above and shall be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Bonds or any Bonds which are then proposed to be issued constitute Tender Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness shall be treated as if (i) the principal amount of such Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than 30 years from the date such Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this clause (i), any principal amortization schedule set forth in a Supplemental Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) shall be applied to determine the principal amortization of such Bonds; (ii) the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and (iii) with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in clause (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in clauses (e) or (f) below, as appropriate;

(e) if any Outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in clause (h)(ii) below to the extent it applies (except to the extent clause (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness or clause (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Program Bonds or Unissued Program Bonds (other than a Commercial Paper Program) (i) debt service on Program Bonds then Outstanding shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (ii) with respect to Unissued Program Bonds, it shall be

assumed that the full principal amount of such Unissued Program Bonds will be amortized over a term certified by an Authorized Board Representative at the time the initial Program Bonds of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Board Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date the initial Program Bonds of such Program are issued and it shall be assumed that debt service shall be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) Annual Debt Service on Repayment Obligations, to the extent such obligations constitute Bonds under Section 2.12 hereof, shall be calculated as provided in Section 2.12 hereof;

(h) (i) for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the Board elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Board fails to elect such rate, then it shall be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Swap has been entered into whereby the Board, acting on its own behalf and on behalf of the City, has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds shall, if the Board elects, be the sum of that rate as determined in accordance with clause (e) above relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Commercial Paper Program which has been Implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be Implemented, the principal of and interest thereon shall be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Board, or if the Board fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under this Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary to pay or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Aggregate Annual Debt Service; and

(k) if state and/or federal grants or other moneys have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on specified Bonds, then the principal of and/or interest to be paid from such state and/or federal grants or other moneys or from earnings thereon shall be disregarded (unless such state and/or federal grants or other moneys are included in the definition of Gross Revenues) and not included in calculating Aggregate Annual Debt Service.

“*Annual Debt Service*” shall mean, with respect to any Bond, the aggregate amount of principal, interest and such other amounts becoming due and payable during any Fiscal Year, and if a Qualified Swap is in effect for such Bond, plus the amount payable by the Board (or the Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Board from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

“*Authorized Amount*” shall mean the maximum Principal Amount of Bonds which is then authorized by a resolution adopted by the Board or a Supplemental Indenture and a resolution adopted by the City Council pursuant to Section 2.09 hereof to be Outstanding at any one time under the terms of such Program or Supplemental Indenture. If the maximum Principal Amount of Bonds authorized by a preliminary resolution or form of Supplemental Indenture approved by the Board pursuant to Section 2.09 hereof exceeds the maximum Principal Amount of Bonds set forth in the final resolution of sale adopted by the Board, the resolution adopted by the City Council or in the definitive Supplemental Indenture executed and delivered by the Board, on its

own behalf and on behalf of the City, pursuant to which such Bonds are issued or such Program is established, the Principal Amount of such Bonds as is set forth in said final resolution of sale or in the definitive Supplemental Indenture as executed and delivered by the Board, on its own behalf and on behalf of the City, and a resolution adopted by the City Council shall be deemed to be the "Authorized Amount." Notwithstanding the provisions of this definition of "Authorized Amount," in connection with Section 2.11(b) hereof and the calculation of Maximum Aggregate Annual Debt Service with respect to a Commercial Paper Program, "Authorized Amount" shall mean the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Commercial Paper Program and the total amount of Commercial Paper Notes that may be issued pursuant to an Unenhanced Commercial Paper Program.

*"Authorized Board Representative"* shall mean the President or the General Manager, or such other officer or employee of the Water Department or the City or other person which other officer, employee or person has been designated by the President or the General Manager as an Authorized Board Representative by written notice delivered by the President or the General Manager to the Trustee or other fiduciary.

*"Authorized Investments"* shall mean any securities in which the City may legally invest funds subject to its control.

*"Balloon Indebtedness"* shall mean, with respect to any Series of Bonds fifty percent (50%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program shall not be Balloon Indebtedness.

*"Board"* shall mean the Board of Water Commissioners of the City of Long Beach, a commission existing under the Charter, and any successor to its function. Any action required or authorized to be taken by the Board in this Master Senior Indenture may be taken by an Authorized Board Representative with such formal approvals by the Board as are required by the policies and practices of the Board and applicable laws; provided, however, that any action taken by an Authorized Board Representative in accordance with the provisions of this Master Senior Indenture shall conclusively be deemed by the Trustee and the Owners to be the act of the Board without further evidence of the authorization thereof by the Board.

*"Bond"* or *"Bonds"* shall mean any debt obligation of the Board, acting on its own behalf and on behalf of the City, issued with respect to the Enterprise as a taxable or tax-exempt obligation under and in accordance with the provisions of Article II hereof, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the City, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in Section 2.12 hereof.

“*Bond Counsel*” shall mean a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under this Master Senior Indenture and which are acceptable to the Board.

“*Bond Law*” shall mean Sections 3.52.110 through 3.52.150 of the Long Beach Municipal Code.

“*Business Day*” shall mean a day on which banks located in New York, New York, in Los Angeles, California, in any office of a Credit Provider or Liquidity Provider where draws under a Credit Facility or Liquidity Facility are presented, and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Indenture.

“*Capital Appreciation Bonds*” shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capitalized Interest*” shall mean the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other moneys that are deposited with the Trustee in a Debt Service Fund as shall be described in a Supplemental Indenture upon issuance of the Bonds to be used to pay interest on the Bonds.

“*Charter*” means the Charter of the City of Long Beach, California, as may be in effect from time to time.

“*City*” shall mean the City of Long Beach, California, a charter city and municipal corporation organized and existing under the Constitution and laws of the State, and any successor thereto.

“*City Auditor*” shall mean the Auditor of the City of Long Beach, California.

“*City Clerk*” shall mean the City Clerk of the City of Long Beach.

“*City Council*” shall mean the City Council of the City of Long Beach.

“*City Treasurer*” shall mean the City Treasurer of the City of Long Beach.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Commercial Paper*” shall mean notes of the City with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Board, on its own behalf and on behalf of the City.



“*Commercial Paper Program*” shall mean a Program authorized by the Board and the City Council pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Construction Fund*” shall mean any of the Construction Funds authorized to be created as provided by Section 4.06 hereof.

“*Consultant*” shall mean any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Board to perform acts and carry out the duties provided for such consultant in this Master Senior Indenture.

“*Costs*” or “*Costs of a Project*” shall mean all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Board or the City or, Consultant; (d) costs of the Water Department properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Debt Service Reserve Fund, if any, fees and expenses of the Trustee, the Paying Agent and the Registrar; (f) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Board.

“*Credit Facility*” shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party or the City (not acting by and through the Board) to make payment of or provide funds to the Trustee or the Paying Agent for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Board fails to do so.

“*Credit Provider*” shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“*Debt Service Fund*” or “*Debt Service Funds*” shall mean a Debt Service Fund or any of the Debt Service Funds required to be created and maintained as provided by Section 4.04 hereof.

*“Debt Service Reserve Fund”* shall mean any Debt Service Reserve Fund created by the Board pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of this Master Senior Indenture and as specified in any Supplemental Indenture.

*“Debt Service Reserve Fund Surety Policy”* shall mean an insurance policy or surety bond, or a letter of credit, deposited with the Trustee or such other fiduciary for the credit of the Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Indenture, the entity providing such Debt Service Reserve Fund Surety Policy shall be rated, at the time of delivery thereof, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

*“Designated Debt”* shall mean a specific indebtedness designated by the Board in which such debt shall be offset with a Swap, such specific indebtedness to include all or any part of a Series or multiple Series of Bonds.

*“Enterprise”* shall mean the entire public sanitary sewer collection system in the City, including, but not limited to, all facilities, properties and improvements at any time owned, controlled or operated by the Board for the collection of sanitary sewage for the residents of the City and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City. The term “Enterprise” does not include any facilities, properties or improvements constituting any portion of the water system in the City.

*“Event of Default”* shall mean any occurrence or event specified in Section 8.01 hereof.

*“Fair Market Value”* shall mean the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide, arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“*Federal Securities*” shall mean any direct general non-callable obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and Refcorp strips.

“*Fiscal Year*” shall mean the period commencing on October 1 of each year and terminating on the next succeeding September 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“*Fitch*” shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any nationally recognized rating agency designated by the Board.

“*General Manager*” shall mean the person at a given time who is the general manager of the Water Department or such other title as the Board or the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*Gross Revenues*” shall mean all gross charges received for, and all other gross income and receipts derived by the Board from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including, but not limited to, investment earnings thereon; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the Board or the City relating to the Enterprise, (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the Board or the City relating to the Enterprise, and (c) customer deposits.

“*Holder,*” “*holder,*” “*Owner*” or “*Registered Owner*” shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of Section 2.12 hereof.

“*Implemented*” shall mean, when used with respect to a Program, a Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and a resolution adopted by the City Council and, with respect to which Program, the items described in Section 2.09(a) through (h) have been filed with the Trustee.

“*Indenture*” shall mean, collectively, this Master Senior Indenture together with all Supplemental Indentures.

“*Independent*” shall mean, when used with respect to any specified firm or individual such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Board or the City, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Board or the City as an official, officer or employee.

“*Initial Bonds*” shall mean those Bonds issued pursuant to Section 2.14 hereof.

*“Investment Agreement”* shall mean an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated, at the time of execution, in the highest short-term Rating Category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in clauses (a) and (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

*“Liquidity Facility”* shall mean a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds upon tender thereof.

*“Liquidity Provider”* shall mean the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility upon tender thereof.

*“Mail”* shall mean by first-class United States mail, postage prepaid.

*“Master Senior Indenture”* shall mean this Master Senior Trust Indenture, dated as of [ ] 1, 2009, by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee, together with all amendments thereto.

*“Maximum Aggregate Annual Debt Service”* shall mean the maximum amount of Aggregate Annual Debt Service with respect to all Bonds and the Authorized Amount of all Bonds then proposed to be issued in the then current or any future Fiscal Year.

*“Moody’s”* shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the Board.

*“Net Proceeds”* shall mean insurance proceeds received as a result of damage to or destruction of the Enterprise or any condemnation award or amounts received by the Board from the sale of the Enterprise under the threat of condemnation less expenses (including attorneys’ fees and expenses and any fees and expenses of the Trustee) incurred in the collection of such proceeds or award.

*“Net Revenues”* shall mean, for any period, an amount equal to all of the Gross Revenues received during such period less the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“*Nonqualified Swap*” shall mean any Swap which is not a Qualified Swap.

“*Notes*” shall mean Bonds issued under the provisions of Article II hereof which have a maturity of one year or less from their original date of issue and which are not part of a Commercial Paper Program.

“*Operation and Maintenance Account*” shall mean the “Operation and Maintenance Account” created and maintained by the Board within the Sewer Revenue Fund pursuant to Section 4.03 hereof.

“*Operation and Maintenance Costs*” shall mean the reasonable and necessary costs and expenses paid by the Board for maintaining and operating the Enterprise, including, but not limited to, (a) the cost of operating the Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and (c) the reasonable administrative costs of the Board attributable to the operation and maintenance of the Enterprise; but in all cases excluding (i) interest expense relating to obligations of the City or the Board with respect to the Enterprise, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“*Original Issue Discount Bonds*” shall mean Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Indenture under which such Bonds are issued.

“*Outstanding*” when used with respect to Bonds shall mean all Bonds which have been authenticated and delivered under this Master Senior Indenture, except:

- (a) Bonds cancelled or purchased by the Trustee or a Paying Agent for cancellation or delivered to or acquired by the Trustee or a Paying Agent for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
- (b) Bonds deemed to be paid in accordance with Article VII hereof;
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.05, 2.06 or 2.08 hereof;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;
- (e) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Repayment Obligations deemed to be Bonds under Section 2.12 hereof to the extent such Repayment Obligation arose under the terms of a Liquidity Facility, provided the Liquidity Provider purchased and holds Bonds pursuant to the terms of the Liquidity Facility; and

(g) for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds under this Master Senior Indenture, Bonds held by or for the account of the Board or the City or by any person controlling, controlled by or under common control with the Board or the City, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Patriot Act*” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism, as amended (USA Patriot Act of 2001) (Title III of Pub.L. 107-56, signed into law on October 26, 2001).

“*Paying Agent*” or “*Paying Agents*” shall mean, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Indenture or a resolution of the Board as the place where such Bonds shall be payable.

“*Payment Date*” shall mean, with respect to any Bonds, each date on which interest is due and payable thereon, each date on which principal is due and payable thereon whether by maturity or redemption thereof and each date on which such other amounts are due and payable thereon.

“*Permitted Investments*” shall mean any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (the Trustee is entitled to rely upon the investment direction of the Board that such investment constitutes a Permitted Investment):

- (a) Federal Securities;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) senior debt obligations rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (or any other U.S.-sponsored agency) with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s, and maturing no more than 360 days after the date of purchase;
- (e) registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned,

controlled or operated by the State or by a department, board, agency or authority of the State, in each case, rated at least "A" by Moody's and S&P;

(f) bonds, notes, warrants or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City, or by a department, board, agency or authority of the City, in each case, rated at least "A" by Moody's and S&P;

(g) obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or in obligations, participations or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise;

(h) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which have a short term rating of "A-1" or "A-1+" by S&P and "P-1" by Moody's. Purchases of bankers acceptances may not exceed 270 days' maturity;

(i) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's or S&P. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of \$500,000,000 and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's or S&P. Purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding paper of an issuing corporation;

(j) negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code of the State) or by a state-licensed branch of a foreign bank and which are rated at least "A" by Moody's and S&P.

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneously with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to at least 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

Investment in a reverse repurchase agreement shall be made only upon prior approval of the City Council. The term "reverse repurchase agreement" means a sale of securities by the City pursuant to an agreement by which the City will repurchase such securities on or before a specified date and for a specified amount.

(l) medium-term notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this paragraph shall be rated in a rating category of "AA" or better by S&P and "Aa" or better by Moody's;

(m) notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53601 of the Government Code of the State as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by said Section 53601 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book-entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the



requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted;

(n) the Local Agency Investment Fund maintained by the Treasurer of the State;

(o) the City's investment pool maintained by the City Treasurer in accordance with the City's adopted investment policy; and

(p) an Investment Agreement.

(q) units of a taxable money-market portfolio composed of a U.S. Government Obligations or repurchase agreements fully secured by such U.S. Government Obligations, including any money market fund for which the Trustee or any of its affiliates provides investment advisory, management or administrative services.

*"President"* shall mean the person at a given time who is the president of the Board or such other title as the Board, the City or the Charter may from time to time assign for such position and the officer or officers succeeding to such position.

*"Principal Amount"* or *"principal amount"* shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bonds, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Bonds, the Accreted Value thereof, unless the Supplemental Indenture under which such Bond was issued shall specify a different amount, in which case, the terms of the Supplemental Indenture shall control, and (c) with respect to any other Bonds, the principal amount of such Bond payable at maturity or redemption thereof.

*"Program"* shall mean a financing program identified in a Supplemental Indenture, including but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items described in Section 2.09(a) through (h) hereof have been filed with the Trustee, (b) wherein the Board has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Authorized Amount, and (c) the Authorized Amount of which has met the additional bonds test set forth in Section 2.11 hereof and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

*"Program Bonds"* shall mean bonds issued and Outstanding pursuant to a Program, other than Unissued Program Bonds.

*"Project"* shall mean any and all facilities, improvements and other expenditures related to the Enterprise financed in whole or in part with proceeds of a Series of Bonds.

*"Qualified Self Insurance"* shall have the meaning set forth in Section 5.09(b) hereof.

*"Qualified Swap"* shall mean any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider; (c) which has

a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the Board as a Qualified Swap with respect to such Bonds.

*“Qualified Swap Provider”* shall mean a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “Aa,” in the case of Moody’s, and “AA,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) whose obligations under any Qualified Swap are fully secured by obligations described in clause (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

*“Rating Agency”* and *“Rating Agencies”* shall mean Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Board to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

*“Rating Category”* and *“Rating Categories”* shall mean (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

*“Rebate Fund”* shall mean any fund created by the Board pursuant to a Supplemental Indenture in connection with the issuance of the Bonds or any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

*“Record Date”* shall mean, with respect to any Series of Bonds, the record date as specified in the Supplemental Indenture which provides for the issuance of such Series.

*“Refunding Bonds”* shall mean any Bonds issued pursuant to Section 2.10 hereof to refund or defease all or a portion of any series of Outstanding Bonds or any Bonds.

*“Registrar”* shall mean, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Indenture or a resolution of the Board to perform the function of Registrar under this Master Senior Indenture or any Supplemental Indenture, and which bank, trust company or other entity has accepted the position in accordance with Section 9.12 hereof.

*“Regularly Scheduled Swap Payments”* shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

*“Repayment Obligations”* shall mean an (a) obligation arising under a written agreement of the Board, acting on its own behalf and on behalf of the City, and a Credit Provider pursuant to which the Board agrees to repay or reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds and to pay all other amounts due and owing to a Credit Provider under a Credit Facility, or (b) an obligation arising under a written agreement of the Board, acting on its own behalf and on behalf of the City, and a Liquidity Provider pursuant to which the Board agrees to repay or reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds and to pay all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

*“Reserve Requirement”* shall mean such amount as provided for in a Supplemental Indenture.

*“Responsible Officer”* shall mean an officer or assistant officer of the Trustee assigned by the Trustee to administer this Master Senior Indenture.

*“Secretary to the Board”* shall mean the Secretary to the Board.

*“Series”* shall mean Bonds designated as a separate Series by a Supplemental Indenture and, with respect to Program Bonds or a Commercial Paper Program, shall mean the full Authorized Amount of such Program, regardless of when or whether issued, unless portions thereof are, by Supplemental Indenture, designated as separate Series.

*“Sewer Revenue Fund”* shall mean the existing fund by that name established and held by the City Treasurer with respect to the Enterprise.

*“Significant Portion”* shall mean, for purposes of Section 5.11 hereof, any portion of the Enterprise which, if such portion had been sold or disposed of by the Board at the beginning of an annual period which includes the month of commencement of the 12 month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Gross Revenues directly attributable to the Enterprise and increased by the expenses of the Board directly attributable to the Enterprise. The Board shall notify each of the Rating Agencies that the Board has requested ratings from and who are then maintaining a rating on any of the Bonds prior to the selling or disposing of a Significant Portion of the Enterprise.

*“S&P”* shall mean Standard & Poor’s Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board.

*“Specified Project”* shall mean a Project or a group of alternative Projects which are described in a certificate of an Authorized Board Representative, which is delivered to the

Consultant preparing the certificate described in Section 2.11 hereof, if applicable, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate under Section 2.11(b)(iii) hereof.

“*State*” shall mean the State of California.

“*Subordinate Obligation*” shall mean any bond, note or other debt instrument issued or otherwise entered into by the Board, acting on its own behalf and on behalf of the City, which ranks junior and subordinate to the Bonds and which may be paid from moneys constituting Net Revenues only if all principal, interest and other amounts which have become due and payable on the Bonds whether by maturity, redemption, acceleration or agreement of the Board have been paid in full and the Board is current on all payments, if any, required to be made to replenish any Debt Service Reserve Fund. “*Subordinate Obligations*” are not Bonds for purposes of this Master Senior Indenture; provided, however, that the Board may henceforth by Supplemental Indenture elect to have the provisions of this Master Senior Indenture applicable to the Bonds apply to the Subordinate Obligations issued thereunder, except that such Subordinate Obligations shall be secured on a junior and subordinate basis to the Bonds from the Net Revenues. No bond, note or other instrument of indebtedness shall be deemed to be a “*Subordinate Obligation*” for purposes of this Master Senior Indenture and payable on a subordinated basis from Net Revenues unless specifically designated by the Board as a “*Subordinate Obligation*” in a Supplemental Indenture or other written instrument. In connection with any Subordinate Obligation with respect to which a Swap is in effect or proposes to be in effect, the term “*Subordinate Obligation*” includes, collectively, both such Subordinate Obligation and either such Swap or the obligations of the Board under each such Swap, as the context requires. The term “*Subordinate Obligations*” also includes a Swap or the obligations of the Board under such Swap which has been entered into in connection with a Subordinate Obligation, as the context requires, although none of the Subordinate Obligations with respect to which such Swap was entered into remain outstanding. The term “*Subordinate Obligation*” includes any Swap Termination Payment under a Qualified Swap with respect to any Bonds payable on parity with Subordinate Obligations.

“*Supplemental Indenture*” shall mean any document supplementing or amending this Master Senior Indenture or providing for the issuance of Bonds and entered into as provided in Article X hereof.

“*Swap*” shall mean any financial arrangement between the Board, acting on its own behalf and on behalf of the City, and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate or index) on a notional amount equivalent to a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an up front premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

“*Swap Provider*” shall mean a party to a Swap with the Board.

“*Swap Termination Payment*” shall mean an amount payable by the Board or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Synthetic Fixed Rate Debt*” shall mean indebtedness issued by the Board, acting on its own behalf and on behalf of the City, which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tender Indebtedness*” shall mean any Bonds or portions of Bonds a feature of which is an option and/or an obligation on the part of the Holders, under the terms of such Bonds, to tender all or a portion of such Bonds to the Board, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“*Term Bonds*” shall mean Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Indenture for such Series for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

“*Trustee*” shall mean the entity from time to time serving in such capacity under this Master Senior Indenture and which, at the time of execution of this Master Senior Indenture, is U.S. Bank National Association.

“*Unenhanced Commercial Paper Program*” shall be a Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Commercial Paper Program has received at least an investment grade short-term rating from the Rating Agencies.

“*Unissued Program Bonds*” shall mean the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and payable from Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the Board pursuant to a resolution adopted by the Board and with respect to which Program the items described in Section 2.09(a) through (h) hereof have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

“*Variable Rate Indebtedness*” shall mean any Bond, the interest rate on which is not, at the time in question, fixed to maturity, excluding any Commercial Paper Program.

“*Water Department*” means the Long Beach Water Department created by Section 1400 of the Charter and operated under the exclusive jurisdiction and control of the Board.

Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Master Senior Indenture.

## ARTICLE II

### FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

**Section 2.01. Issuance of Bonds; Form; Dating.** Either taxable or tax-exempt Bonds may be issued by the Board, on its own behalf and on behalf of the City, under the terms of this Master Senior Indenture for any purpose for which the Board, on its own behalf and on behalf of the City, at the time of such issuance, may incur debt which may include issuing Bonds and loaning the proceeds to other entities (if it is determined to be legally permissible for the Board to do so at such time), provided that if the proceeds of the Bonds are loaned to other entities, the loan repayments and interest thereon shall be included as Gross Revenues. Except as otherwise provided in this Master Senior Indenture, Bonds may be issued under this Master Senior Indenture only if the provisions of Section 2.09 hereof are satisfied. The total principal amount of Bonds of each Series Outstanding may not exceed the amounts specified in the Supplemental Indenture providing for the issuance of such Bonds. The Bonds may be in certificated or uncertificated form, and Bonds which are issued in certificated form may be freely transferable or may be immobilized and held by a custodian for the beneficial owners, all as shall be set forth or permitted in the Supplemental Indenture providing for the issuance of such Bonds. In addition, Bonds may be in the form of notes, contracts or other evidences of indebtedness issued to banks, other financial institutions or creditors providing money, goods or services to the Board as provided in the applicable Supplemental Indenture and in all cases subject to compliance with the provisions of Section 2.09 hereof. The Bonds may have notations, legends or endorsements required by law or usage.

Bonds will be numbered and dated as provided in the applicable Supplemental Indenture.

All Bonds shall contain a statement to the following effect:

The Bonds are special limited obligations of the City, payable solely from and secured by a pledge of Net Revenues derived by the Board from the operations of the Enterprise and such other amounts, funds and accounts pledged therefor under the Indenture. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Bonds, and neither the full faith and credit nor the taxing power of the City, the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. Neither the Bonds nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

**Section 2.02. Terms, Medium and Place of Payment.** The Bonds shall be issued in the principal amount, shall bear interest at a rate or rates, including a rate of 0% and including variable or adjustable rates or rates set by auction, or by such other methods as the Board may from time to time determine, and such interest may be payable periodically, in whole or in part, or may be accumulated and paid at maturity or at such other time or times as the Board shall

determine. Bonds shall mature and may be subject to redemption and/or tender prior to their respective maturities, all as shall be set forth in a Supplemental Indenture. The Bonds of each Series shall state that they are issued under and are secured by this Master Senior Indenture and the pledge of Net Revenues and such other amounts, funds and accounts pledged therefor under the Indenture and state that regardless of the form thereof, they are “*Bonds*” issued hereunder and within the meaning of this Master Senior Indenture.

The Bonds of each Series issued under the provisions of this Article shall be designated “City of Long Beach, California Senior Sewer Revenue [Bonds] [Notes] [Commercial Paper Notes] [Obligations], [Year], Series \_\_\_\_\_,” inserting an appropriate identifying series letter, number or year, if desired, and including such other characteristics as may be provided by a Supplemental Indenture, or if such obligation is in a contract form may, instead, make a specific reference in such document that it constitutes a Bond under this Master Senior Indenture.

Payments with respect to the Bonds shall be made as provided in the Supplemental Indenture providing for the issuance of such Bonds or as provided in the Bonds, which provisions shall include the designation of the currency in which such payments shall be made.

**Section 2.03. Execution and Authentication.** The Bonds, if in certificated form, will be signed for the Board, on its own behalf and on behalf of the City, as provided in the Supplemental Indenture or in the resolution authorizing such Bonds. In case any officer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until authentication. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Master Senior Indenture or the applicable Supplemental Indenture, such person was not such officer.

A Bond in certificated form will not be valid until the Trustee or its agent or an authenticating agent designated by the Board manually signs the certificate of authentication on the Bond. Such signature will be conclusive evidence that the Bond has been authenticated under this Master Senior Indenture.

The Board may appoint an authenticating agent or the Trustee may appoint an authenticating agent acceptable to the Board to authenticate Bonds or different authenticating agents may be appointed for different Series of Bonds. An authenticating agent may authenticate Bonds whenever the Trustee may do so. Each reference in this Master Senior Indenture to authentication by the Trustee includes authentication by such agent.

Bonds issued under this Master Senior Indenture may be issued in uncertificated form, in which case the procedures for issuance and delivery and evidence of validity, ownership, transfer and exchange shall be as provided in a Supplemental Indenture, and neither the provisions of this Section nor any other provision of this Master Senior Indenture shall be deemed to prohibit or restrict the issuance of uncertificated Bonds.

**Section 2.04. Bond Register.** Bonds of each Series may be presented at the designated corporate trust office of the Trustee or such other Registrar, unless a different office has been designated for such purpose, for registration, transfer and exchange. The Trustee or a Registrar will keep a register of each Series of Bonds and of their transfer and exchange.

**Section 2.05. Mutilated, Lost, Stolen or Destroyed Bonds.**

(a) In the event any Bond is mutilated or defaced but identifiable by number and description, the Board, on its own behalf and on behalf of the City, shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, date, maturity and denomination as such Bond, upon surrender thereof to the Trustee; provided that there shall first be furnished to the Trustee clear and unequivocal proof satisfactory to the Trustee that the Bond is mutilated or defaced. The Holder shall accompany the above with a deposit of money required by the Trustee for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The Trustee shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the Board, on its own behalf and on behalf of the City, may execute and the Trustee may authenticate and deliver a new Bond of like Series, date, maturity and denomination as that Bond lost, stolen or destroyed, provided that there shall first be furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it.

(c) Except as limited by any Supplemental Indenture, the Trustee may charge the Holder of any such Bond all governmental charges and transfer taxes, if any, and its reasonable fees and expenses in this connection. All substitute Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is provided for by the Supplemental Indenture or the Trustee, as determined by the Trustee. In the event any such Bond has matured or been called for redemption, instead of issuing a substitute Bond, the Board may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to the Board and the Trustee.

**Section 2.06. Registration and Transfer or Exchange of Bonds; Persons Treated as Owners.** Unless otherwise provided by a Supplemental Indenture, all Bonds shall be issued in fully registered form.

Upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee or Registrar, the Trustee or Registrar shall deliver in the name of the transferee or transferees a new fully authenticated and registered Bond or Bonds of authorized denominations of the same Series and same maturity for the same aggregate principal amount.

Holders may present Bonds at the designated corporate trust office of the Registrar for exchange for Bonds of different authorized denominations and, upon such presentation, the



Trustee or Registrar shall deliver to the Holder a new fully authenticated and registered Bond or Bonds of the same Series and same maturity for the same aggregate principal amount.

All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee or Registrar, duly executed by the Holder or by his duly authorized attorney.

Except as limited by any Supplemental Indenture, the Trustee or Registrar also may require payment from the Holder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges shall be paid before any such new Bond shall be delivered.

Supplemental Indentures may designate certain limited periods during which Bonds will not be exchanged or transferred.

Bonds delivered upon any exchange or transfer as provided herein, or as provided in Section 2.05 hereof, shall be valid limited obligations of the City, evidencing the same debt as the Bond or Bonds surrendered, shall be secured by this Master Senior Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bond or Bonds surrendered.

The Board, the City, the Trustee, the Registrar and the Paying Agent shall treat the Holder of a Bond, as shown on the registration books kept by the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest on such Bond and, except as otherwise provided herein, as the party entitled to the exercise of all other rights and powers of the Holder, except that all interest payments will be made to the party who, as of the Record Date, is the Holder.

**Section 2.07. Destruction of Bonds.** Whenever any Bonds shall be delivered to the Trustee or the Paying Agent for cancellation pursuant to this Master Senior Indenture, upon payment of the principal amount thereof and interest thereon represented thereby or for replacement pursuant to Section 2.05 hereof or upon exchange or transfer pursuant to Section 2.06 hereof, such Bond shall be cancelled and disposed of by the Trustee, the Paying Agent or the Registrar in accordance with its customary practices.

**Section 2.08. Temporary Bonds.** Pending preparation of definitive Bonds of any Series, the Board, on its own behalf and on behalf of the City, may execute and the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, temporary bonds or certificates which shall be exchanged for the Bonds.

If temporary Bonds shall be issued, the Board, on its own behalf and on behalf of the City, shall cause the definitive Bonds to be prepared and to be executed, authenticated and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary bond, shall cancel the same and deliver in exchange therefor at the place designated by the Holder, without charge to the Holder thereof, definitive Bonds of an equal aggregate principal amount of authorized denominations, of the same Series, date, maturity and bearing interest the same as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be

entitled to the same benefit and security of this Master Senior Indenture as the definitive Bonds to be issued and authenticated hereunder.

**Section 2.09. Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds.** Bonds may be issued, at one time or in a Series from time to time, subject to the conditions of this Section.

Each Series of Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, and within a Program, shall be issued and reissued from time to time, all as provided in the Supplemental Indenture relating to such Series of Bonds. In addition, each such Supplemental Indenture may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents and such other agents as the Board shall determine to be necessary in addition to or in place of the Trustee.

Such Supplemental Indenture may provide that the interest rate on the Bonds and the duration of the periods during which such interest accrues may from time to time be adjusted and that the Bonds may be purchased upon the demand of the owners thereof or may be subject to mandatory purchase upon the occurrence of certain events or certain times, and such provisions may include, without limitation, the creation of objective standards for such adjustments, the appointment of agents to apply such standards to the Bonds, the criteria for such purchases upon demand and the procurement of Liquidity Facilities and Credit Facilities with respect to the Bonds.

Each Series of the Bonds, upon execution by the Board, on its own behalf and on behalf of the City, shall be deposited with the Trustee or an agent for authentication and delivery, but prior to or simultaneously with the original delivery of such Series of Bonds or delivery of the first Bonds of a Program, there shall be filed with the Trustee the following:

- (a) an original executed counterpart or a copy, certified by the Secretary to the Board, of this Master Senior Indenture, together with all Supplemental Indentures;
- (b) an original executed counterpart or a copy, certified by the Secretary to the Board, of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Bonds and setting forth the terms of such Series of Bonds;
- (c) except with respect to the issuance of any Refunding Bonds, a certificate of an Authorized Board Representative listing those facilities or undertakings which the Board expects to finance with proceeds of the sale of such Series of Bonds or Program or from which the Board expects to select those Projects which will be financed with proceeds of the sale of such Series of Bonds or Program and such certificate shall, with respect to each item on the list include an estimated cost of such facility or undertaking;
- (d) the certificate of an Authorized Board Representative or the Consultant or Consultants, as the case may be, required by Section 2.11 hereof;
- (e) a certificate of an Authorized Board Representative stating that (i)(A) none of the Events of Default set forth in Section 8.01 hereof has occurred and remains uncured or (B) that upon issuance of such Series of Bonds, all Events of Default set forth

in Section 8.01 hereof that have occurred and are continuing, shall be cured, and (ii) that the Board is in full compliance with the terms of Section 5.04 hereof;

(f) an opinion of Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, that the Bonds are valid and binding special limited obligations of the City in accordance with their terms;

(g) written instructions from the Board to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions; and

(h) a copy of the resolution of the City Council approving the issuance of Bonds of such Series, certified by the City Clerk.

When the documents mentioned in clauses (a) through (h), inclusive, of the immediately preceding paragraph shall have been filed with the Trustee and when such Bonds shall have been executed and authenticated, the Trustee or authenticating agent shall deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds.

**Section 2.10. Refunding Bonds.** Refunding Bonds may be issued under and secured by this Master Senior Indenture. Such Refunding Bonds shall be issued in accordance with the provisions of Sections 2.09 and 2.11 hereof.

**Section 2.11. Test for Issuance of Bonds.** The Board may, by Supplemental Indenture, issue or incur bonds, notes, loans, advances or indebtedness payable from Net Revenues to provide financing for the Enterprise in such principal amount as shall be determined by the Board. The Board, on its own behalf and on behalf of the City, may issue or incur any such Bonds (excepting the Initial Bonds) subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Bonds:

(a) no event of default shall have occurred and be continuing under any Credit Facility or Liquidity Facility; and

(b) there shall be delivered to the Trustee a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of issuance and delivery of such Bonds (both dates inclusive), prepared by an Authorized Board Representative showing that the Net Revenues, calculated in accordance with accounting principles consistently applied, for the most recent completed Fiscal Year or for a more recent 12-month period selected by the Board, in either case verified by a certificate or opinion of the City Auditor, plus (at the option of the Board) any Additional Revenues, were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds, Unissued Program Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding.

The provisions of this clause (b) shall not apply to any Bonds if:

- (i) such Bonds are the Initial Bonds;
- (ii) the Bonds being issued are for the purpose of refunding then Outstanding Bonds and there is delivered to the Trustee, instead, a certificate of an Authorized Board Representative showing that Maximum Aggregate Annual Debt Service after the issuance of such Refunding Bonds will not exceed Maximum Aggregate Annual Debt Service prior to the issuance of such Refunding Bonds;
- (iii) the Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized Board Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes (verified by a certificate or opinion of the City Auditor) and there is delivered to the Trustee a certificate of an Authorized Board Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the Board will be in compliance with Section 5.04 hereof; or
- (iv) the Bonds being issued are to pay costs of completing a Specified Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Bonds originally issued for such Specified Project and reasonably allocable to the Specified Project to be completed as shown in a written certificate of an Authorized Board Representative and there is delivered to the Trustee (A) a Consultant's certificate stating that the nature and purpose of such Specified Project has not materially changed and (B) a certificate of an Authorized Board Representative to the effect that (1) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Specified Project) of the original Bonds issued to finance such Specified Project have been or will be used to pay Costs of the Specified Project, (2) the then estimated Costs of the Specified Project exceed the sum of the Costs of the Specified Project already paid plus moneys available in the Construction Fund established for the Specified Project (including unspent proceeds of Bonds previously issued for such purpose), and (3) the proceeds to be received from the issuance of the such Bonds plus moneys available in the Construction Fund established for the Specified Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Specified Project.

## **Section 2.12. Repayment Obligations Afforded Status of Bonds.**

(a) If a Credit Provider or Liquidity Provider makes payment of principal of and/or interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof or repayment therefor, pursuant to a separate written agreement with the Board, but is not reimbursed or repaid, the Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under this Article II, and, if afforded such status, the Credit Provider or Liquidity Provider shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 2.09 or 2.11 hereof; provided, however, (unless otherwise provided in the Supplemental Indenture pursuant to which the Bonds are issued or in the agreement with the Credit Provider or the Liquidity Provider): (a) interest shall be due and payable semiannually and (b) principal shall be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Bonds or (B) if later, the final maturity of the Repayment Obligation under the written agreement, and providing substantially level annual debt service payments, using the rate of interest set forth in the written reimbursement or repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence shall bear interest in accordance with the terms of the Repayment Obligation. Any amount which comes due on the Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be an obligation of the Board payable after its obligations to fund the Bonds unless otherwise provided under the Credit Facility or the Liquidity Facility. This provision shall not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or the Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under this Master Senior Indenture.

(b) In addition to the Repayment Obligations described in clause (a) above, any other amounts owed by the Board to a Credit Provider or a Liquidity Provider pursuant to the provisions of a written agreement between the Board and the Credit Provider or the Liquidity Provider, that are Repayment Obligations under such written agreement, shall, if so provided in the written agreement, be afforded the status of a Bond issued under this Article II and, if afforded such status, the Credit Provider or the Liquidity Provider shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 2.09 or 2.11 hereof. Such Repayment Obligation will be paid in accordance with the terms of the Supplemental Indenture pursuant to which the Bonds are issued or the terms of the agreement with the Credit Provider or the Liquidity Provider.

**Section 2.13. Obligations Under Qualified Swap; Nonqualified Swap.**

(a) The obligation of the Board to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Bonds may be on a parity with the obligation of the Board to make payments with respect to such Series of Bonds and other Bonds under this Master Senior Indenture. The Board may provide in any Supplemental Indenture that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Net Revenues and such other security set forth in the Granting Clause of this Master Senior Indenture on a parity with the Bonds of such Series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The Trustee shall take all action consistent with the other provisions hereof as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Board with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in this Master Senior Indenture or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the Board under a Qualified Swap, such Swap Termination Payment and any such other amounts shall, unless otherwise provided in a Supplemental Indenture or the Qualified Swap, constitute an obligation of the Board payable from Net Revenues and such other security set forth in the Granting Clause of this Master Senior Indenture subordinate to its obligations to pay and/or fund the Bonds and any reserve funds established with respect to such Bonds.

(c) Obligations of the Board to make payments, including termination payments, under a Nonqualified Swap shall, unless otherwise provided in a Supplemental Indenture or the Swap, constitute an obligation of the Board payable from Net Revenues and such other security set forth in the Granting Clause of this Master Senior Indenture subordinate to its obligations to pay and/or fund the Bonds and any reserve funds established with respect to such Bonds.

**Section 2.14. Issuance of Initial Bonds.** The Initial Bonds shall be issued as a part of a Commercial Paper Program and in several series, all pursuant to a Supplemental Indenture. The Initial Bonds shall be designated as "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes." Each series of the Initial Bonds shall be given a separate consecutive letter designation, beginning with the letter "A." The Authorized Amount of the Initial Bonds shall not exceed \$20,000,000.

**Section 2.15. CUSIP Numbers.** The Board in issuing the Bonds may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other

identification numbers printed on the Bonds, and any such redemption shall not be affected by any defect in or omission of such numbers. The Board will promptly notify the Trustee in writing of any change in the "CUSIP" numbers.

### ARTICLE III

#### REDEMPTION OF BONDS

Bonds may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Indenture providing for the issuance of such Bonds. The Board may provide for the redemption of Bonds from any funds available to the Board and not obligated for other purposes.

In connection with the partial early redemption of any Term Bonds of a Series, the Board may, in any Supplemental Indenture, provide that the principal amount of Bonds of such Series being redeemed shall be allocated against its scheduled sinking fund redemption and modify its scheduled sinking fund installments payable thereafter as to the Outstanding Term Bonds of such Series in any manner the Board may determine. The Board may provide in any Supplemental Indenture that, prior to notice of redemption for any Bonds of a Series, moneys in the Debt Service Fund and any Debt Service Reserve Fund in excess of amounts required to be on deposit therein relating to such Series of Bonds may be applied at the direction of the Board to the purchase of Bonds of such Series and, if any such purchased Bonds are Term Bonds, the Board may allocate the principal amount of Bonds of such Series being redeemed against its scheduled sinking fund redemption for such Bonds and may modify its scheduled sinking fund installments thereafter payable with respect to Bonds of such Series in any manner the Board may determine.

### ARTICLE IV

#### REVENUES AND FUNDS

**Section 4.01. Bonds Secured by a Pledge and Lien on Net Revenues.** The Bonds authorized and issued under the provisions of this Master Senior Indenture shall be secured as provided in the Granting Clause of this Master Senior Indenture. The Board hereby represents and states that it has not previously created any charge or lien on or any security interest in the Net Revenues or any of the other security which is pledged pursuant to the Granting Clause of this Master Senior Indenture and the Board covenants that, until all the Bonds authorized and issued under the provisions of this Master Senior Indenture and the interest thereon shall have been paid or are deemed to have been paid, it will not, except as otherwise specifically provided in this Master Senior Indenture, grant any prior or parity pledge of or any security interest in the Net Revenues or any of the other security which is pledged pursuant to the Granting Clause of this Master Senior Indenture, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Bonds from time to time Outstanding under this Master Senior Indenture. The Board may, as provided in and as limited by Section 5.06 hereof, grant a lien on or security interest in the Net Revenues and any of the other security which is pledged pursuant to the Granting Clause of this Master Senior Indenture ranking junior and subordinate to the charge or lien of the Bonds.

**Section 4.02. Receipt, Deposit and Use of Gross Revenues—Sewer Revenue Fund.**

(a) The Board hereby covenants and agrees to continue to maintain or cause to be maintained the Sewer Revenue Fund. The Board hereby further covenants and agrees that all Gross Revenues, when and as received, will be deposited or caused to be deposited by the Board in the Sewer Revenue Fund.

(b) As long as there are any Outstanding Bonds, all Gross Revenues shall be deposited in the Sewer Revenue Fund and shall be set aside for the payment of the following amounts or deposited or transferred to the following funds and accounts in the order listed:

(i) *Operation and Maintenance Account.* On or prior to the twentieth (20<sup>th</sup>) day of each month, the Board shall deposit or cause to be deposited in the Operation and Maintenance Account an amount equal to one-twelfth (1/12<sup>th</sup>) of the estimated Operation and Maintenance Costs for the then current Fiscal Year as set forth in the budget of the Water Department for such Fiscal Year as finally approved by the Board. In the event that the balance in the Operation and Maintenance Account at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments shall immediately be deposited in the Operation and Maintenance Account from the Sewer Revenue Fund, and such additional amounts shall be credited against the next succeeding monthly deposit from the Sewer Revenue Fund.

(ii) *Debt Service Funds; Other Amounts Due on Bonds.* A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, without priority and on an equal basis, except as to timing of payment, to (A) the Trustee for deposit in the respective Debt Service Funds in the amounts, at the times and in the manner provided in Section 4.04 hereof to provide for the payment of the principal of and interest to become due on the Outstanding Bonds, and (B) such other parties for the payment of amounts, other than principal and interest, due on the Outstanding Bonds.

(iii) *Debt Service Reserve Funds.* A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, without priority and on an equal basis, except as to timing of payment, to the Debt Service Reserve Funds, if any, at the times and in such amounts as specified in a Supplemental Indenture and to be used in the manner provided in Section 4.05 hereof.

(iv) *Subordinate Obligation Debt Service Fund.* A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, at such times, to pay the debt service and such other amounts on any indebtedness that is payable from Net Revenues on a basis subordinate to the Bonds (including Subordinate Obligations), but only to the extent (except as otherwise provided herein) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.



(v) *Subordinate Obligation Debt Service Reserve Funds.* A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, at such times, to fund a deficiency in any debt service reserve fund established for the benefit of indebtedness that is payable from Net Revenues on a basis subordinate to the Bonds (including Subordinate Obligations), but only to the extent (except as otherwise provided herein) a specific pledge of Net Revenues has been made in writing to the fund of such debt service reserve fund.

(c) All moneys and investments on deposit in the Sewer Revenue Fund and not on deposit in any of the funds or subaccounts or used for any of the purposes provided for in clause (b)(i) through (v) of this Section, shall be used by the Board for any lawful purpose.

**Section 4.03. Creation, Use and Application of Operation and Maintenance Account.** The Board shall cause to be created and maintained, within the Sewer Revenue Fund, a special account to be designated as the “*Operation and Maintenance Account.*” All amounts in the Operation and Maintenance Account shall be used and applied by the Board to pay Operation and Maintenance Costs as the same may become due. Moneys in the Operation and Maintenance Account do not comprise Net Revenues and are not pledged or to be applied to pay or secure the payment of the Bonds. Amounts on deposit in the Operation and Maintenance Account may be invested in Permitted Investments and earnings on such amounts shall be retained in the Operation and Maintenance Account and used to pay Operation and Maintenance Costs.

**Section 4.04. Creation and Funding of Debt Service Funds.** The Board shall, at the time of issuance of each Series of Bonds, cause to be created a Debt Service Fund for such Series, which Debt Service Fund shall be held and maintained by the Trustee or any agent of the Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Trustee or its agent, shall be deposited therein and used for such purpose. Accounts and subaccounts shall be created in the various Debt Service Funds and shall be held by the Trustee or such agents as shall be provided by Supplemental Indenture.

The moneys in the Debt Service Fund shall be held in trust and applied as provided in the Supplemental Indenture with regard to each such fund, and pending such application such amounts shall be subject to a lien on and security interest in favor of the Holders of the Bonds issued and Outstanding under this Master Senior Indenture.

The Trustee shall, at least fifteen (15) Business Days prior to each Payment Date on any Bond, give the Board notice by telephone, promptly confirmed in writing (or otherwise provide the Board access (electronically or otherwise) to such information), of the amount, after taking into account Capitalized Interest, if any, on deposit in the Debt Service Fund, and the additional amounts, if any, required to be deposited with the Trustee in the Debt Service Fund in order to make each payment of debt service coming due on such Payment Date. With respect to any Series of Bonds, the Supplemental Indenture under which such Bonds are issued may provide for different times and methods of notifying the Board of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Indenture shall control.

At least five (5) Business Days prior to each Payment Date, the Board shall cause the City Treasurer to withdraw from the Sewer Revenue Fund and to pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date.

On any day on which the Trustee receives funds from the Board or the City Treasurer to be used to pay principal of or interest on Bonds, the Trustee shall, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Debt Service Funds for the Series of Bonds for which such payments were made and any excess shall be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Funds (without regard to any amounts which may be available from Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Bonds and, if the amount available shall not be sufficient to pay in full all interest on the Bonds then due, then pro rata among the Series according to the amount of interest then due, and second to the payment of principal then due on the Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Bonds.

Notwithstanding the foregoing, the Board may, in the Supplemental Indenture authorizing such Series of Bonds, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on such Bonds depending upon the terms of such Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Debt Service Fund created for the Series of Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Bonds, the Board or the City may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into the Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

**Section 4.05. Creation of Debt Service Reserve Funds.** The Board may, at the time of issuance of any Series of Bonds or at any time thereafter, provide by Supplemental Indenture for the creation of a Debt Service Reserve Fund as security for such Series, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Debt Service Reserve Fund. The Board shall, by such Supplemental Indenture, provide for the size and manner of funding and replenishing of such Debt Service Reserve Fund and shall establish such other terms with respect to such Debt Service Reserve Fund as the Board may deem to be appropriate, including providing a Credit Facility in lieu thereof. In addition, the Board may, by Supplemental Indenture, create additional funds and accounts for such purposes as the Board deems appropriate, including separate funds available only for specified Bonds or Series of Bonds.

If a Debt Service Reserve Fund or Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Bonds secured thereby, then the

Board shall replenish such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider of the Credit Facility from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full, (b) the required payments to replenish any such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider of the Credit Facility shall be due in no more than twelve (12) substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider of the Credit Facility exceeds the amount available for such purpose, the payments made to the Trustee for such purpose shall be allocated among the various Debt Service Reserve Funds and the Credit Provider pro rata on the basis of the Outstanding Principal Amount of Bonds secured thereby.

**Section 4.06. Authorization for Creation of Construction Fund.** Proceeds of each Series of Bonds which are to be used to pay Costs of a Project shall be deposited into a fund created for such Series of Bonds which shall be designated "City of Long Beach, California Senior Sewer Revenue [Obligations/Bonds/Commercial Paper Notes] Construction Fund Series [\_\_\_\_]" (each, respectively, a "*Construction Fund*") which may be held either by the City or the Trustee or part by the City and part by the Trustee, all as provided by this Master Senior Indenture, a Supplemental Indenture or Supplemental Indentures. All moneys in each Construction Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created. Notwithstanding this provision, no Construction Fund shall be required for a given Series of Bonds if all of the proceeds thereof (except those deposited into any Debt Service Reserve Fund or a Debt Service Fund) are spent at the time of issuance of such Series or are used to refund Bonds or otherwise the Board determines that there is no need to create a Construction Fund for such Series.

**Section 4.07. Moneys Held in Trust for Matured Bonds; Unclaimed Moneys.** All moneys which shall have been withdrawn from a Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Bonds, either at the maturity thereof or upon call for redemption, or which are set aside by the Trustee for such purposes and for which Bonds the maturity date or redemption date shall have occurred, shall be held in trust for the respective Holders of such Bonds. But any moneys which shall be so set aside or deposited and which shall remain unclaimed by the Holders of such Bonds for a period of one (1) year after the date on which such Bonds shall have become due and payable (or such longer period as shall be required by state law) shall be paid to the Board, and thereafter the Holders of such Bonds shall look only to the Board for payment and the Board shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any Paying Agent shall have any responsibility with respect to any of such moneys. The Board hereby recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

**Section 4.08. Additional Funds, Accounts and Subaccounts.** In addition to the funds, accounts and subaccounts described in this Article, the Board may, by Supplemental Indenture, create additional funds, accounts and subaccounts for such purposes as the Board deems appropriate, including separate funds available only for specified Bonds or Series of Bonds.

**Section 4.09. Additional Security.** The pledge of Net Revenues and the other security provided in the Granting Clause hereof, secure all Bonds issued under the terms of this Master Senior Indenture on an equal and ratable basis, except as to the timing of such payments. The Board may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

## ARTICLE V

### COVENANTS OF THE BOARD

**Section 5.01. Payment of Bonds.** The Board, on its own behalf and on behalf of the City, covenants and agrees that it will duly and punctually pay or cause to be paid from the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture and to the extent thereof the principal of, premium, if any, and interest and other amounts due on every Bond at the place and on the dates and in the manner set forth herein, and in the Supplemental Indentures and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements herein and in the Bonds contained, provided that the Board's obligation to make payments of the principal of, premium, if any, and interest and other amounts due on the Bonds shall be limited to payment from the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture, and any other source which the Board may specifically provide for such purpose and no Holder shall have any right to enforce payment from any other funds of the Board or the City.

**Section 5.02. Performance of Covenants by Board; Authority; Due Execution.** The Board, on its own behalf and on behalf of the City, covenants that it will faithfully perform at all times any and all covenants and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Board, on its own behalf and on behalf of the City, covenants that it is duly authorized under the Constitution and laws of the State and the Act to issue the Bonds and pledge and grant a security interest in the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture or in which a security interest is granted and that the Board, on its own behalf and on behalf of the City, has not previously pledged such Net Revenues or the other security set forth in the Granting Clause of this Master Senior Indenture.

**Section 5.03. Senior Lien Obligations Prohibited.** The Board hereby covenants and agrees that so long as any Bonds are Outstanding under this Master Senior Indenture, it will not issue any additional bonds or other obligations with a lien on or security interest granted in Net Revenues or the other security set forth in the Granting Clause of this Master Senior Indenture which is senior to the Bonds.

**Section 5.04. Rate Covenant.** The Board covenants to fulfill the following requirements:

- (a) The Board shall, while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the Board as of the date of execution of

this Master Senior Indenture setting forth restrictions relating thereto), establish, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Aggregate Annual Debt Service on any Outstanding Bonds require to be funded by the Board in such Fiscal Year as required by this Master Senior Indenture or any Supplemental Indenture with respect to the Outstanding Bonds;

(ii) the required deposits to any Debt Service Reserve Fund which may be established by a Supplemental Indenture;

(iii) the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, but including Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, but including Subordinate Obligations.

(b) In addition, the Board covenants, with the approval of the City Council with respect to rates, to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125% of the amount described in the clause (a)(i) above for such Fiscal Year.

(c) The Board covenants that if Net Revenues in any Fiscal Year are less than the amounts specified in clauses (a) or (b) of this Section, the Board will retain and direct a Consultant to make recommendations as to the revision of the operations of the Enterprise and its schedule of rates, fees and charges for the services and facilities furnished by the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Board shall take all lawful measures to revise the schedule of rates, fees and charges as may be necessary to produce Net Revenues in the amounts specified in clause (a) and (b) of this Section in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amounts specified in clause (a) or (b) of this Section, but the Board promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rates, fees and charges as required by clause (c) of this Section, such deficiency in Net Revenues shall not constitute an Event of Default under the provisions of Section 8.01(d) hereof. Nevertheless, if after taking the measures required by clause (c) of this Section to revise the schedule of rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of

the Water Department for such Fiscal Year) are less than the amounts specified in clause (a) or (b) of this Section, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of Section 8.01(d) hereof.

**Section 5.05. No Inconsistent Contract Provisions.** The Board covenants that no contract or contracts will be entered into or any action taken by the Board or the City which shall be inconsistent with the provisions of the Indenture. The Board covenants that it will not take any action which, in the Board's judgment at the time of such action, will substantially impair or materially adversely affect the pledge of Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture, or will substantially impair or materially adversely affect in any manner the pledge of, lien on or security interest granted in the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture herein or the rights of the Holders of the Bonds. The Board shall be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required to pay from the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture the principal of and interest and other amounts due on the Bonds and to make the other payments provided for herein.

**Section 5.06. Subordinate Obligations.** The Board may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in this Master Senior Indenture, referred to as Subordinate Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Board shall determine; provided that:

(a) any resolution or indenture of the Board authorizing the issuance of any such Subordinate Obligations shall specifically state that such lien on or security interest granted in the Net Revenues and the other security set forth in the Granting Clause of this Master Senior Indenture is subordinate to the lien on and security interest in such Net Revenues and other security set forth in the Granting Clause of this Master Senior Indenture and other assets granted to secure the Bonds;

(b) payment of principal of and interest and other amounts due on such Subordinate Obligations shall be permitted; provided that all deposits and payments required to be made pursuant to Sections 4.02(b)(i) through (iii) hereof have been made or satisfied; and

(c) such Subordinate Obligations, if a default in payment, may not be accelerated if any Bonds are outstanding.

**Section 5.07. Maintenance of Powers.** The Board covenants that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to the Act and all other laws and that it will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants herein contained.

**Section 5.08. Covenants of Board Binding on Board and Successors.** All covenants, stipulations, obligations and agreements of the Board contained in this Master Senior Indenture

shall be deemed to be covenants, stipulations, obligations and agreements of the Board to the full extent authorized or permitted by law. If the powers or duties of the Board shall hereafter be transferred by amendment of the Act or a new Act or any provision of the Constitution or any other law of the State or in any other manner there shall be a successor to the Board, and if such transfer shall relate to any matter or thing permitted or required to be done under this Master Senior Indenture by the Board, then the entity that shall succeed to such powers or duties of the Board shall act and be obligated in the place and stead of the Board as in this Master Senior Indenture provided, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time and upon any officer, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreement shall be transferred by or in accordance with law.

Except as otherwise provided in this Master Senior Indenture, all rights, powers and privileges conferred and duties and liabilities imposed upon the Board by the provision of this Master Senior Indenture shall be exercised or performed by the Board or by such officers, board, body or commission as may be permitted by law to exercise such powers or to perform such duties.

#### **Section 5.09. Insurance; Application of Insurance Proceeds.**

(a) Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(i) the Board shall procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Enterprise and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are customarily maintained by sewer systems similarly situated and operating like properties; and

(ii) the Board shall place on file with the Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Board Representative containing a summary of all insurance policies and self insured programs then in effect with respect to the Enterprise and the operations of the Board. The Trustee may conclusively rely upon such certificate and shall not be responsible for the sufficiency or adequacy of any insurance required herein or obtained by the Board.

(b) “*Qualified Self Insurance*” shall mean insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Board may have a material interest and of which the Board may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Board determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self insurance program shall be reviewed at least once every 12

months by a Consultant who shall deliver to the Board a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they shall make a recommendation as to the amount of reserves that should be established and maintained, and the Board shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Board.

(c) If, as a result of any event, any part of the Enterprise is destroyed or severely damaged, the Board shall create within the Sewer Revenue Fund a special account and shall credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds shall, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Enterprise, or portion thereof, which was damaged or destroyed, (ii) provide additional revenue producing sewer facilities, (iii) redeem Bonds, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in Article VII hereof; provided, however, that the Board shall first deliver to the Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Bonds, the rate covenant set forth in Section 5.04(a) and (b) hereof would, nevertheless, be met.

**Section 5.10. Accounts.** The Board covenants that it will keep and provide accurate books and records of account showing all Gross Revenues received and all expenditures of the Board and that it will keep or cause to be kept accurate books and records of account showing all moneys, Gross Revenues, accounts and funds (including the Sewer Revenue Fund and all funds and accounts provided for in this Master Senior Indenture) which are or shall be in the control or custody of the Board; and that all such books and records pertaining to the Enterprise shall be open upon reasonable notice during business hours to the Trustee and to the Owners of not less than 10% of the Principal Amount of Bonds then Outstanding, or their representatives duly authorized in writing. Within 210 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the Board will prepare audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the Enterprise and the Water Department (Sewer Revenue Fund) all accompanied by a certificate or opinion in writing of an Independent certified public accountant of recognized standing, selected by the Board, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the Board and are prepared in accordance with generally accepted accounting principles.

**Section 5.11. Eminent Domain.** If a Significant Portion of the Enterprise is taken by eminent domain proceedings or conveyance in lieu thereof, the Board shall create within the Sewer Revenue Fund a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, after the receipt of such amounts, use such proceeds to (a) replace the portions of the Enterprise which were taken or conveyed, (b) provide an additional revenue producing sewer facility, (c) redeem Bonds, or (d) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in Article VII hereof. The Board shall notify each of



the Rating Agencies that the Board has requested ratings from and who are then maintaining a rating on any of the Bonds in the event of any taking or conveyance of a Significant Portion of the Enterprise.

**Section 5.12. Completion of Specified Project; Substitution of Specified Project.**

The Board will, upon the issuance of a Series of Bonds the proceeds of which are to be used for a Specified Project, proceed with due diligence to construct or acquire such Specified Project; provided, however, that the Board may, if the conditions set forth in this Section are met, substitute another Project therefor and shall proceed with due diligence to construct or acquire such substituted Project. The Board may determine not to proceed with any of the Specified Projects or may determine to substitute another Project or Projects for a Specified Project if, as a condition to discontinuing the acquisition or construction of a Specified Project or to the substitution of another Project or Projects therefor, the Board (a) first, delivers to the Trustee a certificate of a Consultant showing that after taking into account the discontinuation of such Specified Project or the substitution of Project or Projects therefor, the rate covenant set forth in Section 5.04(a) and (b) hereof would, nevertheless, be met and (b) second, if the original Project was financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes, causes there to be delivered an opinion of Bond Counsel to the effect that the substitution of one Project for another Project will not cause interest on the Series of Bonds with respect to which the original Project was to be financed to be included in gross income of the recipients thereof for federal income tax purposes. If the Board determines not to proceed with a Specified Project and fails to deliver the Consultant's certificate and to undertake a substitute Project or Projects, then Bond proceeds which would have been used to acquire or construct such Specified Project shall be used to redeem Bonds, or used as otherwise provided in the Supplemental Indenture pursuant to which they were issued.

**Section 5.13. Obligations Secured by Other Revenues.** The Board may, from time to time, incur indebtedness payable solely from certain revenues of the Enterprise which do not constitute Net Revenues and that is not secured by the other security set forth in the Granting Clause of this Master Senior Indenture at such times and upon such terms and conditions as the Board shall determine, provided that such indebtedness shall specifically include a provision that payment of such indebtedness is neither secured by nor payable from Net Revenues or the other security set forth in the Granting Clause of this Master Senior Indenture. The Board may also, from time to time, incur indebtedness payable from and secured by both Net Revenues (and the other security set forth in the Granting Clause of this Master Senior Indenture) and certain revenues of the Enterprise which do not constitute Net Revenues at such times and upon such terms and conditions as the Board shall determine, provided that the conditions set forth in this Master Senior Indenture for the issuance of indebtedness payable from and secured by Net Revenues (and the other security set forth in the Granting Clause of this Master Senior Indenture), including, without limitation, Section 2.09, Section 2.11 and Section 5.06 hereof, as applicable, are met.

**Section 5.14. Instruments of Further Assurance.** The Board covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures, and such further acts, instruments and transfers as the Trustee may reasonably request for the better assuring and confirming to the Trustee all and singular the

rights and obligations of the Board under and pursuant to this Master Senior Indenture and the security intended to be conferred hereby to secure the Bonds.

**Section 5.15. Indenture To Constitute a Contract.** This Master Senior Indenture, including all Supplemental Indentures, is executed by the Board for the benefit of the Holders and constitutes a contract with the Trustee for the benefit of the Holders.

## ARTICLE VI

### INVESTMENTS

All moneys in the Sewer Revenue Fund may be invested by the Board or the City from time to time in any Authorized Investments. All moneys held by the Trustee in any of the funds or accounts established pursuant to this Master Senior Indenture or any Supplemental Indenture shall be invested and reinvested as directed in writing by the Board, in Permitted Investments. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Except as otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made; except that all interest or gain derived from the investment of amounts in any Debt Service Reserve Fund shall be deposited in the corresponding Debt Service Fund to the extent not required to maintain the reserve requirement on deposit in such Debt Service Reserve Fund. The Board shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Board Representative or by telephone instruction followed by prompt written confirmation by an Authorized Board Representative; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in [\_\_\_\_\_].

The Trustee may sell at the best price reasonably obtainable by it, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any such Permitted Investment, or any reinvestment or liquidation thereof.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The Board acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Board the right to receive brokerage confirmations of security transactions as they occur, the Board will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Board periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

## ARTICLE VII

### DEFEASANCE

Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of this Master Senior Indenture except for the purposes of payment from moneys or Federal Securities held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under this Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the Board, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of Net Revenues, the other security set forth in the Granting Clause of this Master Senior Indenture and the other assets pledged to secure the Bonds hereunder shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release this Master Senior Indenture, shall execute, acknowledge and deliver to the Board such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the Board any property and revenues at the time subject to this Master Senior Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Master Senior Indenture when payment of the principal, interest and premium or other amounts, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bond and this Master Senior Indenture or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Federal Securities, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Master Senior Indenture and any Supplemental Indenture) to apply such money to the payment of the principal, interest and premium or other amounts, if any, with respect to such Bond; and provided, further, that the Board and the Trustee shall have received in form and substance satisfactory to each (A) a report of an Independent nationally recognized accounting firm verifying the sufficiency of the escrow established to pay the principal, interest and premium or other amounts, if any, with respect to such Bond in full on the maturity or redemption date; (B) an escrow deposit agreement, and (C) an opinion of Bond Counsel to the effect that such Bond is no longer "Outstanding" under this Master Senior Indenture. At such times as Bonds shall be deemed to be paid hereunder, such Bonds shall no longer be secured by or entitled to the benefits of this Master Senior Indenture, except for the purposes of payment from such moneys or Federal Securities.

Once a deposit described in clause (b) of the foregoing paragraph has been made, the Trustee shall notify all Holders of the affected Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article. No notice of redemption shall be required at the time of such

defeasance or prior to such date as may be required by the Supplemental Indenture under which such Bonds were issued. The Board may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or this Master Senior Indenture subject to (i) receipt of an approving opinion of Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and (ii) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Federal Securities to provide for the payment of such Bonds. Notwithstanding anything in this Article to the contrary, moneys from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the Board so long as the requirements of clauses (i) and (ii) above are met prior to or concurrently with any such withdrawal.

In connection with the redemption or defeasance, or partial redemption or defeasance of Bonds, the Board may permit, or cause to be assigned to Bonds of a single maturity, multiple CUSIP numbers.

## ARTICLE VIII

### DEFAULTS AND REMEDIES

**Section 8.01. Events of Default.** Each of the following events shall constitute and is referred to in this Master Senior Indenture as an “*Event of Default*”:

- (a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;
- (b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;
- (c) except as otherwise provided in a Supplemental Indenture, a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;
- (d) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) of this Section) that are to be observed or performed by the Board and which are contained in this Master Senior Indenture or a Supplemental Indenture, which failure, except for a violation under Section 5.04 hereof which shall be controlled by the provisions set forth therein, shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Board by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of Holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the Holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the Holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration;

provided, however, that the Trustee or the Trustee and the Holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Board within such period and is being diligently pursued until such failure is corrected;

(e) the filing by the City of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the City, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property, including the Enterprise; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

If, on any date on which payment of principal of or interest on the Bonds is due and sufficient moneys are not on deposit with the Trustee or Paying Agent to make such payment, the Trustee shall give telephone notice of such insufficiency to the Board.

#### **Section 8.02. Remedies.**

(a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the Holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt by the Trustee of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, and require the Board to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act or any other law to which it is subject and this Master Senior Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Master Senior Indenture;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the Board to account as if it were the trustee of an express trust for the Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

(b) The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

(c) Except with respect to a Credit Provider or a Liquidity Provider as provided in a Supplemental Indenture or a written agreement between the Board and a Credit Provider or a Liquidity Provider, in no event, upon the occurrence and continuation of an Event of Default described in Section 8.01 hereof, shall the Trustee, the Holders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

**Section 8.03. Restoration to Former Position.** In the event that any proceeding taken by the Trustee to enforce any right under this Master Senior Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the Board, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

**Section 8.04. Holders' Right To Direct Proceedings.** Anything in this Master Senior Indenture to the contrary notwithstanding, Holders of not less than 51% in aggregate Principal Amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Master Senior Indenture to be taken in connection with the enforcement of the terms of this Master Senior Indenture or exercising any trust or power conferred on the Trustee by this Master Senior Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and this Master Senior Indenture and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

**Section 8.05. Limitation on Right To Institute Proceedings.** No Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on such Bonds, unless such Holder or Holders previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also Holders of 25% or more of the Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under Section 8.02 hereof shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Holders shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Master Senior Indenture, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Holders.

**Section 8.06. No Impairment of Right To Enforce Payment.** Notwithstanding any other provision in this Master Senior Indenture to the contrary, the right of any Holder to receive

payment of the principal of and interest and other amounts due on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the pledge of Net Revenues and other security provided for the Bonds, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Holder.

**Section 8.07. Proceedings by Trustee Without Possession of Bonds.** All rights of action under this Master Senior Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders, subject to the provisions of this Master Senior Indenture.

**Section 8.08. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to Holders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of this Master Senior Indenture or the Bonds shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section.

**Section 8.09. No Waiver of Remedies.** No delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee and to the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Section 8.10. Application of Moneys.** If an Event of Default shall occur and be continuing, all amounts then held or any moneys received by the Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of this Article (which shall not include moneys provided through a Credit Facility, which moneys shall be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee (including attorneys' fees and disbursements) and of the expenses and fees incurred by a Credit Provider in connection with any proceedings associated with such Event of Default, shall be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due with interest on such Bonds at such rate as provided in a Supplemental Indenture from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or

privilege, and (c) third, to the payment to the persons entitled thereto of other unpaid amounts (other than principal and interest) due on the Bonds in the order of maturity of the installments of such amounts and, if the amount available shall not be sufficient to pay in full such amounts due, then to the payment ratably, according to the amounts due on such Bonds.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Holders and shall not be required to make payment to any Holder until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Section 8.11. Severability of Remedies.** It is the purpose and intention of this Article to provide rights and remedies to the Trustee and the Holders, which may be lawfully granted under the provisions of the Act and other applicable law, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Holders shall be entitled, as above set forth, to every other right and remedy provided in this Master Senior Indenture or by applicable law.

**Section 8.12. Additional Events of Default and Remedies.** So long as any particular Series of Bonds is Outstanding, the events of default and remedies as set forth in this Article may be supplemented with additional events of default and remedies as set forth in a Supplemental Indenture under which such Series of Bonds is issued.

## ARTICLE IX

### TRUSTEE, PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

**Section 9.01. Acceptance of Trusts.** The Trustee hereby accepts and agrees to execute the trusts specifically imposed upon it by this Master Senior Indenture, but only upon the additional terms set forth in this Article, to all of which the Board agrees and the respective Holders agree by their acceptance of delivery of any of the Bonds.

#### **Section 9.02. Duties of Trustee.**

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee shall perform the duties set forth in this Master Senior Indenture and no implied duties or obligations shall be read into this Master Senior Indenture against the Trustee.



(c) Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Master Senior Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Master Senior Indenture.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; and

(ii) the Trustee 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 Holders or the Board in the manner provided in this Master Senior Indenture.

(e) The Trustee shall not, by any provision of this Master Senior 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 Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Senior Indenture at the request or direction of any of the Holders of the Bonds, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) Every provision of this Master Senior Indenture that in any way relates to the Trustee is subject to the provisions of this Section.

**Section 9.03. Rights of Trustee.** Subject to Section 9.02 hereof, the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, direction, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper commission or person or to have been prepared and furnished pursuant to any of the provisions of this Master Senior Indenture, and the Trustee shall be under no duty to make investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee may consult with counsel of its selection with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith in accordance therewith.

Whenever in the administration of the trusts or duties imposed upon it by this Master Senior Indenture the Trustee shall deem it necessary that a matter be proved or established prior

to taking or not taking any action hereunder, such matter may be deemed to be conclusively proved and established by a certificate of the Board, and such certificate shall be full warrant to the Trustee for any action taken or not taken by it in good faith under the provisions of this Master Senior Indenture in reliance on such certificate.

The Trustee makes no representation as to the sufficiency or validity of this Master Senior Indenture or of any Bonds, or in respect of the security afforded by this Master Senior Indenture.

The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it under this Master Senior Indenture.

In the performance of its duties hereunder, the Trustee may employ attorneys, agents and receivers and shall not be liable for any actions of such attorneys, agents and receivers to the extent selected by it with reasonable care.

The Trustee shall have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the designated corporate trust office of the Trustee, and such notice references the Bonds and this Master Senior Indenture.

The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other person employed to act hereunder.

The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

**Section 9.04. Individual Rights of Trustee.** The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Board with the same rights it would have if it were not Trustee. Any Paying Agent or other agent may do the same with like rights.

**Section 9.05. Trustee's Disclaimer.** The Trustee shall not be accountable for the Board's use of the proceeds from the Bonds paid to the Board and it shall not be responsible for any statement in the Bonds other than its certificate of authentication.

**Section 9.06. Notice of Defaults.** If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Board is required before such events will become Events of Default, such notice has been given, then the Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in (b), give notice thereof to each Holder, each Credit Provider, if any, each Liquidity Provider, if any, and such other parties as directed by the Board. Except in the case of a default in payment or purchase on any Bonds, the Trustee may withhold the notice to the Holders if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

**Section 9.07. Compensation of Trustee.** For acting under this Master Senior Indenture, the Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services under this Master Senior Indenture, in accordance with a separate fee schedule setting forth such terms and conditions which has been approved by the Board. The Board agrees to pay such amounts to the Trustee. The Board agrees to indemnify and hold the Trustee and its officers, agents and directors harmless against any liabilities, costs, claims or expenses not arising from the Trustee's own negligence or willful misconduct, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder including the enforcement of any remedies and the defense of any suit. The obligations set forth in this Section shall survive the discharge of this Master Senior Indenture or the resignation or removal of the Trustee.

**Section 9.08. Eligibility of Trustee.** This Master Senior Indenture shall always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

**Section 9.09. Replacement of Trustee.** The Trustee may resign by notifying the Board in writing prior to the proposed effective date of the resignation. The Holders of not less than 51% in aggregate Principal Amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Board's consent. The Board may remove the Trustee, by notice in writing delivered to the Trustee at least sixty (60) days prior to the proposed removal date; provided, however, that the Board shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this Section shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the Board. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee

shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Master Senior Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Master Senior Indenture, the Board shall promptly appoint a successor Trustee.

If a Trustee is not performing its duties hereunder and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Board delivers notice of removal, the retiring Trustee, the Board or the Holders of not less than 51% in aggregate Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

**Section 9.10. Successor Trustee or Agent by Merger.** If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in this Master Senior Indenture, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, Paying Agent or Registrar.

**Section 9.11. Paying Agent.** The Board may upon notice to the Trustee at any time or from time to time appoint a Paying Agent or Paying Agents for the Bonds or for any Series of Bonds, and each Paying Agent, if other than the Trustee, shall designate to the Board and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Indenture by a written instrument of acceptance delivered to the Board and the Trustee under which each such Paying Agent will agree, particularly:

- (a) to hold all sums held by it for the payment of the principal of, premium or interest on Bonds in trust for the benefit of the Holders until such sums shall be paid to such Holders or otherwise disposed of as herein provided;
- (b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Board and the Trustee on each Business Day during reasonable business hours; and
- (c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

**Section 9.12. Registrar.** The Board shall appoint the Registrar for the Bonds or a Registrar or Registrars for any Series of Bonds and may from time to time remove a Registrar and name a replacement. Each Registrar, if other than the Trustee, shall designate to the Trustee, the Paying Agent, and the Board its principal office and signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Indenture by a written instrument of acceptance delivered to the Board and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with customary industry practice and to make such books and records available for inspection by the Board, the Trustee, and the Paying Agent on each Business Day during reasonable business hours.

**Section 9.13. Other Agents.** The Board, or the Trustee with the consent of the Board, may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this Master Senior Indenture or under a Supplemental Indenture all as provided by Supplemental Indenture or resolution of the Board.

**Section 9.14. Several Capacities.** Anything in this Master Senior Indenture to the contrary notwithstanding, with the consent of the Board, the same entity may serve hereunder as the Trustee, Paying Agent, Registrar and any other agent as appointed to perform duties or obligations under this Master Senior Indenture, under a Supplemental Indenture or an escrow agreement, or in any combination of such capacities, to the extent permitted by law. The Paying Agent and the Registrar shall be entitled to the same protections, limitations from liability and indemnities afforded to the Trustee under this Master Senior Indenture.

**Section 9.15. Accounting Records and Reports of the Trustee.**

(a) The Trustee shall at all times keep, or cause to be kept, proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established by it pursuant to this Master Senior Indenture. Such records shall be available for inspection with reasonable prior notice by the Board on each Business Day during reasonable business hours and by any Holder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(b) The Trustee shall provide to the Board each month a report of any Bond proceeds received during that month, if any, and the amounts deposited into each fund and account held by it under this Master Senior Indenture and the amount disbursed from such funds and accounts, the earnings thereon, the ending balance in each of such funds and accounts and the investments of each such fund and account.

(c) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, furnish to the Board a statement (which need not be audited) covering receipts, disbursements, allocation and application of Bond proceeds, Net Revenues and any other moneys in any of the funds and accounts established by it pursuant to this Master Senior Indenture or any Supplemental Indenture for the preceding year.

**ARTICLE X**

**MODIFICATION OF THIS INDENTURE**

**Section 10.01. Limitations.** This Master Senior Indenture shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of this Article.

**Section 10.02. Supplemental Indentures Not Requiring Consent of Holders.** The Board may, from time to time and at any time, without the consent of or notice to the Holders, execute and deliver Supplemental Indentures supplementing and/or amending this Master Senior Indenture or any Supplemental Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of Section 2.09 hereof and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, this Master Senior Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Holders;

(c) to add to the covenants and agreements of the Board in this Master Senior Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Board, provided such supplement or amendment shall not adversely affect the interests of the Holders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Board provided pursuant to this Master Senior Indenture or to otherwise add additional security for the Holders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by a Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement this Master Senior Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Holders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction rate bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Board from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Gross Revenues into different funds.

Before the Board shall, pursuant to this Section, execute any Supplemental Indenture, there shall have been delivered to the Board and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by this Master Senior Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Board in accordance with its terms and will not cause interest on any of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

**Section 10.03. Supplemental Indenture Requiring Consent of Bond Holders.**

(a) Except for any Supplemental Indenture entered into pursuant to Section 10.02 hereof and any Supplemental Indenture entered into pursuant to clause (b) below, subject to the terms and provisions contained in this Section and Article XI and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Board of any Supplemental Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Master Senior Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the Holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and clause (b) below is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of clause (b) below, shall, unless approved in writing by the Holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Master Senior Indenture) upon or pledge of the Net Revenues created by this Master Senior Indenture or the other security set forth in the Granting Clause of this Master Senior Indenture, ranking prior to or on a parity with the claim created by this Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses hereof, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Holders of which is required for any such Supplemental Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Holders of the execution of any Supplemental Indenture as authorized in Section 10.02 hereof, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(b) The Board may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in Section 10.02 hereof, no notice to or consent of the Holders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and Section 10.02 hereof is not applicable, then this clause (b) rather than clause (a) above shall control and, subject to the terms and provisions contained in this clause (b) and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the Holders of all the Bonds of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon.

(c) If at any time the Board shall desire to enter into any Supplemental Indenture for any of the purposes of this Section, the Board shall cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Holders or, under clause (b) of this Section, all Holders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Board for inspection by all Holders and it shall not be required that the Holders approve the final form of such Supplemental Indenture but it shall be sufficient if such Holders approve the substance thereof.

(d) The Board may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Board (i) the required consents, in writing, of the Holders, and (ii) the opinion of Bond Counsel required by the last paragraph of Section 10.02 hereof.

(e) If Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery thereof as herein provided, no Holders shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Board from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding clauses (c) through (e) above, the Board may, at its discretion, execute and deliver such Supplemental Indenture which contains such modifications, alterations, amendments or supplements prior to receipt of the required consents in writing, of the Holders; provided, that such Supplemental Indenture or the



provisions of such Supplemental Indenture subject to the consents of the Holders shall not become effective until such time as there has been delivered to the Board (i) the required consents, in writing, of Holders and (ii) the opinion of Bond Counsel required by the last paragraph of Section 10.02 hereof. In the event the Board decides to execute and deliver a Supplemental Indenture in accordance with this clause (f), the notice required in clause (c) shall make reference to a final and executed Supplemental Indenture as opposed to a proposed Supplemental Indenture.

(g) For purposes of this Section only, as long as the Initial Bonds are the only Outstanding Bonds, Holders shall mean the Credit Provider(s) providing the Credit Facility issued in connection with the issuance of the Initial Bonds.

**Section 10.04. Effect of Supplemental Indenture.** Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article, this Master Senior Indenture or a Supplemental Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Master Senior Indenture and a Supplemental Indenture of the Board, the Trustee, the Paying Agent, the Registrar and all Holders shall thereafter be determined, exercised and enforced under this Master Senior Indenture and a Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments.

No Supplemental Indenture shall modify the duties, rights or obligations of the Trustee, Paying Agent or Registrar without the consent of such party thereto.

**Section 10.05. Supplemental Indentures To Be Part of This Master Senior Indenture.** Any Supplemental Indenture adopted in accordance with the provisions of this Article shall thereafter form a part of this Master Senior Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Master Senior Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

## ARTICLE XI

### CREDIT PROVIDERS

If a Credit Facility is provided for a Series of Bonds or for specific Bonds, the Board may in the Supplemental Indenture under which such Bonds are issued, provide any or all of the following rights to the Credit Provider as the Board shall deem to be appropriate:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in Article VIII hereof to the same extent and in place of the Owners of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Holder of such Bonds;

(b) the right to act in place of the Owners of the Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under Article IX hereof; and

(c) the right to consent to Supplemental Indentures to the same extent and in place of the Holders of the Bonds, which require the consent of the Holders of not less than 51% of the aggregate Principal Amount of the Bonds, entered into pursuant to Section 10.03 hereof, except with respect to any amendments described in Section 10.03(a)(i) through (v) hereof and Section 10.03(b)(i) or (ii) hereof which consent of the actual Holders shall still be required, of this Master Senior Indenture to the same extent and in place of the Holders of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Holder of such Bonds.

The rights granted to any such Credit Provider, with respect to the provisions of Articles VIII and IX hereof shall be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility.

## ARTICLE XII

### MISCELLANEOUS PROVISIONS

**Section 12.01. Parties in Interest.** Except as herein otherwise specifically provided, nothing in this Master Senior Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Board, the City, the Trustee, the Paying Agent, other agents from time to time hereunder, or the Holders any right, remedy or claim under or by reason of this Master Senior Indenture, this Master Senior Indenture being intended to be for the sole and exclusive benefit of the Board, the City, the Trustee, the Paying Agent, such other agents and the Holders.

**Section 12.02. Severability.** In case any one or more of the provisions of this Master Senior Indenture, or of any Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Master Senior Indenture or of Bonds, and this Master Senior Indenture and any Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

**Section 12.03. No Personal Liability of Board Members and Officials; Limited Liability of Board to Holders.** No covenant or agreement contained in the Bonds or in this Master Senior Indenture shall be deemed to be the covenant or agreement of any present or future Board member, official, officer, agent or employee of the Board or the Water Department, in their individual capacity, and neither the members of the Board, the Water Department, the officers and employees of the Board or the Water Department, nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

**Section 12.04. Execution of Instruments; Proof of Ownership.** Any request, direction, consent or other instrument in writing required or permitted by this Master Senior

Indenture to be signed or executed by Holders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Holders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Master Senior Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 2.04 hereof.

Nothing contained in this Section shall be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of, or assignment by any Holder shall bind every future Holder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the Board in pursuance of such request or consent.

**Section 12.05. Governing Law.** The laws of the State shall govern the construction and enforcement of this Master Senior Indenture and of all Bonds issued hereunder; provided, however, that the administration of the trusts imposed upon the Trustee by this Master Senior Indenture and the rights and duties of the Trustee hereunder shall be governed by, and construed in accordance with, the laws of the jurisdiction in which the Trustee has its designated corporate trust office.

**Section 12.06. Notices.** Except as otherwise provided in this Master Senior Indenture, all notices, certificates, requests, requisitions or other communications by the Board, the Trustee, the Paying Agent, the Registrar, or other agents, pursuant to this Master Senior Indenture shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the City or the Board, to the Water Department of the City of Long Beach, 1800 East Wardlow Road, Long Beach, California 90807, Attention: [Deputy General Manager, Business], Telephone: [\_\_\_\_\_], Facsimile: [\_\_\_\_\_], by delivery or by mail; if to the Trustee, to U.S. Bank National Association, 100 Wall Street, 16th Floor, New York, New York 10005, Attention: Corporate Trust Services, Telephone: (212) 361-6140, Facsimile: (212) 509-4529; if to a Paying Agent, or another agent, to such address as is designated in writing by it to the Trustee and the Board. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

**Section 12.07. Facsimile Notification.** The Board and the Trustee agree to accept and act upon all facsimiles of written notices, certificates, requests, requisitions or other communications pursuant to this Master Senior Indenture provided, however that: (a) the Board

or the Trustee, as applicable, subsequent to such facsimile transmission of written notices, certificates, requests, requisitions or other communications, shall provide the originally executed notice, certificate, request, requisition or other communication to the Board or the Trustee, as applicable, in a timely manner, (b) such originally executed notice, certificate, request, requisition or other communication shall be signed by a person as may be designated and authorized to sign for the Board or the Trustee, as applicable and, (c) the Board and the Trustee shall provide to the Board or the Trustee, as applicable, an incumbency certificate listing such designated persons which such incumbency certificate shall be amended whenever a person is to be added or deleted from the listing.

**Section 12.08. Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Master Senior Indenture, shall not be a Business Day, such payment may, unless otherwise provided in this Master Senior Indenture or, with respect to any Series of Bonds or portion of Series of Bonds, provided in a Supplemental Indenture under which such Bonds are issued, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Master Senior Indenture, except as otherwise provided in a Credit Facility.

**Section 12.09. Force Majeure.** In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

**Section 12.10. Patriot Act.** The Trustee hereby notifies the Board that in accordance with Section 326 of the Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The Board agrees that it will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the Patriot Act.

**Section 12.11. Counterparts.** This Master Senior Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of Master Senior Trust Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this Master Senior Indenture to be duly executed, all as of the date first above written.

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its  
own behalf and on behalf of the City of Long  
Beach

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

Attest:

By \_\_\_\_\_  
Secretary to the Board

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

[Signature page to Master Senior Trust Indenture]

**FIRST SUPPLEMENTAL SENIOR TRUST INDENTURE**

between

**BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH**

and

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

Dated as of [ ] 1, 2009

Relating to

**\$20,000,000  
City of Long Beach, California  
Senior Sewer Revenue Commercial Paper Notes  
Series A (Tax-Exempt)  
Series B (Taxable)**

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## FIRST SUPPLEMENTAL SENIOR TRUST INDENTURE

**THIS FIRST SUPPLEMENTAL SENIOR TRUST INDENTURE** (this "*First Supplemental Senior Indenture*"), dated as of [\_\_\_\_\_] 1, 2009, is made by and between the **BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH**, a commission existing under the charter of the City of Long Beach (the "*Board*"), acting on its own behalf and on behalf of 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 **U.S. BANK NATIONAL ASSOCIATION**, as trustee (the "*Trustee*"), and supplements that Master Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "*Master Senior Indenture*"), by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee.

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

WHEREAS, the Board, on its own behalf and on behalf of the City, desires to implement a Commercial Paper Program within the meaning of the Master Senior Indenture; and

WHEREAS, the Board now, for the purpose of providing financing for certain projects with respect to the Enterprise (as defined in the Master Senior Indenture), by execution and delivery of this First Supplemental Senior Indenture and in compliance with the provisions of the Master Senior Indenture, sets forth the terms of the City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt) and the City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series B (Taxable), in an aggregate authorized principal amount of \$20,000,000 and provides for the deposit and use of the proceeds of the Commercial Paper Notes and makes other provisions relating to the Commercial Paper Notes.

### ARTICLE I

#### DEFINITIONS; INTERPRETATIONS

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

"*Advances*" means (a) each loan or advance made under a Credit Facility to pay the principal of and interest, if any, on any Commercial Paper Notes and (b) each loan or advance made by a Credit Provider to repay any loan or advance previously made under a Credit Facility. Advances shall include all Drawings and any payments made by the Bank as a result of draws made on the Letter of Credit (including, but not limited to, a Drawing) to pay the principal of and interest on the Commercial Paper Notes.

"*Advice*" means a notice or a written instrument executed by the Issuing and Paying Agent and delivered to the Depository which specifies the amount by which the indebtedness evidenced by a Master Note is to be increased or decreased on any particular date, the respective

rates of interest at which each portion of such amount is to bear interest, the respective dates on which each portion of such amount matures and such other information as may be required pursuant to the systems and procedures of the Depository of a Master Note applicable to implementation of its book-entry program for obligations of the character of the Commercial Paper Notes.

“*Authorized Amount*” means for purposes of this First Supplemental Senior Indenture the aggregate principal amount of \$20,000,000.

“*Authorized Board Representative*” has the meaning as set forth in the Master Senior Indenture.

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

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

“*Bank Note*” means the note delivered by the Board, on its own behalf and on behalf of the City, to the Bank under the Reimbursement Agreement. The Bank Note shall constitute a Bond under the Master Senior Indenture.

“*Bond Counsel*” has the meaning as set forth in the Master Senior Indenture.

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

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

“*Certificate Agreement*” has the meaning as set forth in Section 2.09(b) hereof.

“*Code*” has the meaning as set forth in the Master Senior Indenture.

“*Commercial Paper Notes*” means, collectively, the Series A Notes and the Series B Notes which are authorized to be issued from time to time under the Master Senior Indenture and this First Supplemental Senior Indenture, having the terms and characteristics specified in Article II hereof and in the form set forth (a) in the case of a Series A Note, in Exhibit A-1 hereto and (b) in the case of a Series B Note, in Exhibit A-2 hereto.

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

“*Construction Fund*” means the “City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes Construction Fund” created in Section 3.02 hereof, including the Series A Project Account and the Series B Project Account and into which proceeds of the Commercial Paper Notes to be used to pay Costs of the Commercial Paper Projects are to be deposited.

“*Costs*” has the meaning as set forth in the Master Senior Indenture.

“*Credit Facility*” has the meaning as set forth in the Master Senior Indenture.

“*Credit Facility Accounts*” means, collectively, the Series A Credit Facility Account and the Series B Credit Facility Account.

“*Credit Provider*” has the meaning as set forth in the Master Senior Indenture.

“*Dealer*” means initially Barclays Capital Inc., or any successor or assigns to such entity permitted under the Dealer Agreement or any other dealer for the Commercial Paper Notes which is appointed by the Board and has entered into a Dealer Agreement.

“*Dealer Agreement*” means initially the Commercial Paper Dealer Agreement, dated [\_\_\_\_], 2009, between the Board, acting on its own behalf and on behalf of the City, and the Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the Board, acting on its own behalf and on behalf of the City, and a Dealer with respect to the Commercial Paper Notes.

“*Debt Service Fund*” means the “City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes Debt Service Fund” created in Section 3.01 hereof and into which money is to be deposited to pay debt service on the Commercial Paper Notes and to reimburse the Bank for Advances.

“*Depository*” means (a) initially, DTC, and (b) any other qualified securities depository acting as Depository pursuant to Section 2.09 hereof.

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

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

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

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

*“First Supplemental Senior Indenture”* means this First Supplemental Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009, by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee, and which sets forth the terms of the Commercial Paper Notes.

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

*“Issuing and Paying Agent”* means, initially, U.S. Bank National Association, or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the Board and has entered into an Issuing and Paying Agent Agreement. At the time of execution hereof, the Issuing and Paying Agent and the Trustee are the same entity.

*“Issuing and Paying Agent Agreement”* means, initially, the Issuing and Paying Agent Agreement, dated as of [\_\_\_\_\_] 1, 2009, by and between the Board, acting on its own behalf and on behalf of the City, and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the Board, acting on its own behalf and on behalf of the City, and the Issuing and Paying Agent with respect to the Commercial Paper Notes. [The Issuing and Paying Agent shall be a Paying Agent as described in the Master Senior Indenture.]

*“Letter of Credit”* means the irrevocable letter of credit or letters of credit issued by the Bank and/or Banks to the Issuing and Paying Agent, for the benefit of the Board, on or prior to the date of issuance of the first Commercial Paper Note and any substitute letter of credit accepted by the Issuing and Paying Agent as provided in Section 7.01 hereof. The Letter of Credit is a Credit Facility as defined in the Master Senior Indenture.

*“Letter of Credit Termination Date”* means the termination date of the Letter of Credit.

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

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

“*Master Senior Indenture*” means the Master Senior Trust Indenture, dated as of [ ] 1, 2009, by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee, under which the Commercial Paper Notes are authorized and secured, as amended from time to time.

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

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

“*No Issuance Notice*” shall have the meaning given to such term in the Reimbursement Agreement.

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

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

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

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

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

“*Patriot Act*” has the meaning as set forth in the Master Senior Indenture.

“*Payment Obligations*” means the “Obligations” (as such term is defined in the Reimbursement Agreement) owed by the Board to the Bank under the Reimbursement Agreement and the Bank Note, which includes, among other things, the repayment of Advances and the payment of fees owed by the Board to the Bank under the Reimbursement Agreement and the Bank Note.

“*Principal Office*” means with respect to the Issuing and Paying Agent, the office thereof designated in writing to the Board and the Trustee.

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

“*Program Termination Date*” means June 1, 2029, or such later date as shall be established pursuant to Section 2.08 hereof.

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

“*Rebate Fund*” means the “City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A Rebate Fund” created in Section 6.01 hereof.

“*Reimbursement Agreement*” means, initially, the Reimbursement Agreement, dated as of [ ] 1, 2009, between the Board, acting on its own behalf and on behalf of the City, and the Bank, and any and all modifications, alterations, amendments and supplements thereto, or any other Reimbursement Agreement or similar documents entered into by the Board, acting on its own behalf and on behalf of the City, and a Bank with respect to a substitute Letter of Credit.

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

“*Repayment Obligations*” has the meaning as set forth in the Master Senior Indenture.

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

“*Series A Credit Facility Account*” means the “Series A Credit Facility Account” created in the Debt Service Fund pursuant to Section 3.01 hereof.

“*Series A Notes*” means Commercial Paper Notes designated as “City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt)”, the interest on which is to be excluded from gross income for federal income tax purposes.

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

“*Series A Project Account*” means the “Series A Project Account” created in the Construction Fund pursuant to Section 3.02 hereof.

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

“*Series B Credit Facility Account*” means the “Series B Credit Facility Account” created in the Debt Service Fund pursuant to Section 3.01 hereof.

“*Series B Notes*” means Commercial Paper Notes, designated as “City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series B (Taxable)” the interest on which is not to be excluded from gross income for federal income tax purposes.

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

“*Series B Project Account*” means the “Series B Project Account” created in the Construction Fund pursuant to Section 3.02 hereof.

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

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

“*Trustee*” shall mean, initially, U.S. Bank National Association, unless and until a successor replaces it and, thereafter, shall mean such successor. At the time of execution hereof, the Trustee and the Issuing and Paying Agent are the same entity.

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

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

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

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

“*United States Bankruptcy Code*” means Title 11 U.S.C., Section 101 et seq., as amended and supplemented from time to time, or any successor federal act.

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

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

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

Any such certificate or opinion made or given by an officer of the Board may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an independent consultant, unless such officer or staff member knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Board) upon a certificate or opinion of or representation by an officer of the Board, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Board, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this First Supplemental Senior Indenture, but different officers, staff members, counsel, accountants or independent consultants may certify to different matters, respectively.

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



## ARTICLE II

### THE COMMERCIAL PAPER NOTES

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

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

(b) The Board hereby authorizes the issuance of its "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt)" and its "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series B (Taxable)" subject to the provisions of this Section and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance the Project Costs of Series A Projects, and to refinance, renew or refund Series A Notes (or Series B Notes, provided the Board receives an Opinion of Bond Counsel prior to such issuance) issued hereunder or Advances incurred under a Credit Facility for the Series A Notes. The Series B Notes shall be issued from time to time as provided herein to finance the Project Costs of Series B Projects, and to refinance, renew or refund Commercial Paper Notes issued hereunder or Advances incurred under a Credit Facility for the Commercial Paper Notes. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes. Proceeds of Series A Notes issued to refinance other Commercial Paper Notes may be used to pay or reimburse the Bank for principal Advances used to pay maturing principal and shall only be used to pay or reimburse the Bank for Advances used to pay interest due on such maturing Commercial Paper Notes subject to the terms and provisions of the Tax Certificate. The aggregate principal amount of Commercial Paper Notes (or the total amount of principal and interest due at maturity in the case of Series B Notes sold at a discount) that may be Outstanding at any one time hereunder shall not at any time exceed the lesser of (a) the Authorized Amount, and (b) the Stated Amount less the aggregate amount of interest due at the maturity of all Outstanding Commercial Paper Notes. Notwithstanding anything herein to the contrary, the Commercial Paper Notes shall not bear interest in excess of the Maximum Interest Rate.

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

(d) Except as provided in clause (e) of this Section, the Commercial Paper Notes (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), (ii) shall mature

and become due and payable on such dates as the Dealer shall determine at the time of sale but in any event not more than 270 days after their respective dates or later than the Termination Date, (iii) shall be sold at a price of not less than 100% of the principal amount thereof and (iv) shall mature on a Business Day. The stated interest rate, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this First Supplemental Senior Indenture, shall be as set forth in the Instructions required by Section 2.07 hereof directing the issuance of such Commercial Paper Note. Interest, if any, on a Commercial Paper Note shall cease to accrue on the Maturity Date.

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

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

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

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

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

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

**Section 2.02. Payment.** The Board, as provided in Section 5.01 of the Master Senior Indenture, covenants and agrees that it will duly and punctually pay or cause to be paid from the Net Revenues and such other security set forth in the Granting Clause of the Master Senior Indenture and this First Supplemental Senior Indenture and to the extent thereof the principal of and interest on every Commercial Paper Note on the Maturity Date thereof. Unless interest is otherwise permitted to be financed from the proceeds of Commercial Paper Notes by the terms and provisions of the Tax Certificate, the Board will make or cause to be made all payments of interest directly to the Trustee in immediately available funds on or prior to 1:00 p.m., New York City time, and, to the extent Advances made by a Credit Provider for the purpose of paying principal of maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of maturing Commercial Paper Notes, all principal payments directly to the Issuing and Paying Agent, as agent of the Trustee, in immediately available funds on or prior to 3:00 p.m., New York City time, both on the date payment is due on any Commercial Paper Note and without regard to any Advances made for the purpose of paying principal of and interest on the Commercial Paper Notes. To the extent principal of and/or interest on Commercial Paper Notes is paid with an Advance, the Trustee is authorized and directed to use amounts paid by the Board to reimburse the Credit Provider. The principal of and interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. Except as otherwise provided in Section 2.09 hereof, the principal of and interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent by 4:00 p.m., New York City time, on any Business Day upon which such Commercial Paper Notes have become due and payable provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Except as otherwise provided in Section 2.09 hereof, upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 10:00 a.m., New York City time, on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds by 4:00 p.m., New York City time, on such Business Day. If a Commercial Paper Note is presented for payment after 10:00 a.m., New York City time, on a Business Day, payment therefor shall be made by the Issuing and Paying Agent by 4:00 p.m., New York City time, on the next succeeding Business Day without the accrual of additional interest thereon.

On each Maturity Date, principal of and interest on maturing Commercial Paper Notes shall be paid solely from the following sources in the priority listed: (a) first, from amounts paid to the Issuing and Paying Agent under the Letter of Credit; (b) second, from proceeds of Commercial Paper Notes; and (c) third, from Net Revenues and such other security set forth in the Granting Clause of the Master Senior Indenture.

**Section 2.03. Execution of Commercial Paper Notes.** The Commercial Paper Notes shall be executed on behalf of the Board by the manual or facsimile signature (except in the case of Master Notes, which shall be executed by the manual signature) of the President or by such other officer as the Board, shall, by resolution adopt by a majority vote, authorize and designate for the purpose and its corporate seal, if any (which may be a facsimile), shall be thereunto affixed, imprinted or engraved and attested by the manual or facsimile signature of the Secretary of the Board (except in the case of Master Notes, which shall be executed by manual signature).

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

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

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

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

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

Series A Notes shall be issued hereunder to pay Project Costs of Tax-Exempt Projects which constitute Series A Projects, to pay the principal of and, subject to the terms and provisions of the Tax Certificate, interest on maturing Series A Notes (or Series B Notes

provided the Board receives an Opinion of Bond Counsel prior to such issuance) of the same commercial paper “program” as described in the Tax Certificate, and/or to pay Advances made in connection with the payment of Series A Notes of the same commercial paper “program” as described in the Tax Certificate. If the Board issues Series A Notes hereunder, then such Commercial Paper Notes shall bear the designation “Series A-n,” where “n” denotes the number of the applicable commercial paper “program” as described in the Tax Certificate.

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

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

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

(a) Except as provided in clause (f) of this Section in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09 hereof, Commercial Paper Notes shall be executed at any time and from time to time by the Board and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the Board. Subject to the provisions of Sections 2.01 and 2.09 hereof and clauses (b) and (c) of this Section, at any time and from time to time prior to the Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of Instructions, no later than 12:30 p.m., New York City time, on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver same to the Dealer. The Instructions shall be in substantially the form set forth in the Dealer Agreement and shall include: the applicable purchaser, the applicable commercial paper “program” numerical modifier for the Commercial Paper Notes to be issued, the applicable Series and subseries, if any, designations, the principal amounts thereof, the purchase price thereof, the date(s) of issuance thereof, the maturities thereof, the rate(s) of interest, if any, thereon, the price or yields therefor, and any other terms and conditions which are hereby authorized and permitted to be fixed by a Dealer at the time of sale of such Commercial Paper Notes.

Except as provided in clause (e) of this Section in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09 hereof, upon receipt of such Instructions (which may be transmitted by mail, telecopy,

telefax or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m., New York City time, on such day, complete each Series A Note or each Series B Note then to be delivered as to amount, date, maturity date, interest rate and interest amount, if any, specified in such Instructions, and purchase price, and authenticate each such Commercial Paper Note and deliver it to the Dealer upon receipt of payment therefor; provided, however, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (i) such delivery would result in the aggregate principal amount of Commercial Paper Notes (or the total amount of principal and interest due at maturity in the case of Series B Notes sold at a discount) Outstanding being in excess of the Authorized Amount and (ii) if such delivery would result in the aggregate principal amount of Outstanding Commercial Paper Notes, plus the aggregate amount of interest due on all Outstanding Commercial Paper Notes at the maturity thereof, being in excess of the Stated Amount. No such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (A) it shall have received written notice from an Authorized Board Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default shall have occurred and be continuing, (C) with respect to Series A Notes, it shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the Series A Notes from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of such Commercial Paper Notes would extend beyond the Termination Date or beyond 270 days from the respective dates of authentication and issuance of such Commercial Paper Notes, or (E) the Issuing and Paying Agent shall have received a No Issuance Notice from the Bank, stating that a Reimbursement Agreement Event of Default exists and is continuing and instructing that no additional Commercial Paper Notes be issued until further written notice from the Bank, or (F) the Trustee, pursuant to Section 3.04(e) and (f) hereof, has not confirmed to the Issuing and Paying Agent and the Bank that it holds in the appropriate Credit Facility Account for the sole benefit and use of the Bank, an amount equal to all Advances. The Trustee shall give such confirmation to the Issuing and Paying Agent promptly after the occurrence of such events by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing. In addition, the Issuing and Paying Agent shall, by 2:00 p.m., New York City time, on such day, transmit by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing, to the Board, the Trustee and the Credit Provider the contents of the Instructions. If Instructions are received after 12:30 p.m., New York City time, on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

Notwithstanding this Section, in the event an unreimbursed Advance is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Commercial Paper Notes if, and to the extent, upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall have sufficient funds immediately available to reimburse the Bank for an unreimbursed Advance equal to such principal amount and the Issuing and Paying Agent shall have received written confirmation from the Bank that upon such reimbursement, the Letter of Credit will be reinstated to an

amount sufficient to pay when due all of the principal of and interest on such Commercial Paper Notes and any other Commercial Paper Notes then Outstanding. Upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall hold such proceeds in trust for, and shall immediately wire the same to, the Bank and provide notice thereof to the Bank.

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

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

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

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

(d) Prior to the initial delivery of the Commercial Paper Notes under this First Supplemental Senior Indenture and as a condition to such initial issuance:

(i) The Reimbursement Agreement shall be duly executed and delivered by the Board and the Bank;

(ii) The Issuing and Paying Agent shall have received the original executed Letter of Credit; and

(iii) Counsel to the Bank shall have delivered to the Board, the Issuing and Paying Agent, and the Trustee, an opinion to the effect that the Letter of

Credit is a valid and binding obligation of the Bank, enforceable in accordance with its terms.

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

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

**Section 2.08. Extension of Program Termination Date.** Prior to the Program Termination Date (as it may be extended from time to time as herein provided), so long as no Specified Event of Default shall have occurred and be continuing, the Board and the Trustee, with the written consent of the Issuing and Paying Agent (provided the Issuing and Paying Agent is not the Trustee) may enter into a Supplemental Indenture or Supplemental Indentures extending the Program Termination Date for such period as shall be requested by the Board; provided, however, that no Supplemental Indenture extending the Program Termination Date shall be effective until there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that (a) the Supplemental Indenture has been duly authorized, executed and delivered by the Board and constitutes the valid and binding obligation of the Board and (b) that Commercial Paper Notes issued after such extension will be validly issued and such opinion shall describe the tax treatment of the interest on the Commercial Paper Notes after such extension.

**Section 2.09. Master Note; Registration of Notes.**

(a) ***Original Delivery.***

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

(ii) The Issuing and Paying Agent shall maintain such books, records and accounts as may be necessary to evidence the obligations of the Board resulting from each Master Note and each Advice delivered by the Issuing and



Paying Agent, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time thereunder. In any legal action or proceeding in respect of a Master Note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the Board therein recorded.

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

(b) ***Certificate Agreement and Letter of Representations.*** The Issuing and Paying Agent is hereby authorized and directed to execute and deliver to DTC a commercial paper certificate agreement (the "***Certificate Agreement***") and a Letter of Representations substantially in the forms provided by DTC in order to provide for the issuance of the Master Notes and the Advices relating thereto and to qualify for the Depository's book-entry only system. Notwithstanding any other provision of this First Supplemental Senior Indenture and so long as all outstanding Commercial Paper Notes are registered in the name of Cede & Co. as nominee of DTC or its registered assigns, the Board and the Issuing and Paying Agent shall cooperate with DTC, as sole Registered Owner of the Commercial Paper Notes, and its registered assigns, in effecting payment of the principal of and interest on the Commercial Paper Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Letter of Representations, the provisions of which the Issuing and Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein. Notwithstanding the effectiveness of the Letter of Representations and a book-entry system with respect to the Commercial Paper Notes, the Issuing and Paying Agent shall (i) furnish to the Bank and the Dealer a copy of each notice or other communication provided or required to be provided to Holders pursuant to this First Supplemental Senior Indenture, and (ii) ensure that amounts drawn under the Letter of Credit are applied in accordance with the provisions of this First Supplemental Senior Indenture.

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

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

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

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

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

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

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

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

### ARTICLE III

#### APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS

**Section 3.01. Creation of Debt Service Fund.** There is hereby created by the Board the "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes Debt Service Fund" (the "***Debt Service Fund***") which shall be held and maintained by the Trustee. The Trustee, shall establish within the Debt Service Fund a Series Account for each Series of Commercial Paper Notes and, within the respective Series Account for the Series A Notes, a Program Subaccount for each commercial paper "program" as defined in the Tax Certificate (as specified in writing by the Board to the Trustee and the Issuing and Paying Agent). The Issuing and Paying Agent, as agent for the Trustee, shall establish a "Series A Credit Facility Account" and a "Series B Credit Facility Account" in the Debt Service Fund each of which shall be held and maintained by the Issuing and Paying Agent in trust for the benefit of the Holders from time to time of the Commercial Paper Notes and for the benefit of the Credit Provider.

**Section 3.02. Creation of Construction Fund.** There is hereby created by the Board the "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes Construction Fund" (the "***Construction Fund***") which shall be held and maintained by the Trustee. There are hereby created and established within the Construction Fund two separate trust accounts to be known as the "Series A Project Account" and the "Series B Project Account"

and, within the Series A Project Account, a Program Subaccount for each commercial paper “program” as defined in the Tax Certificate. The Trustee shall deposit all amounts received pursuant to Section 3.03 hereof from the sale of Commercial Paper Notes into the applicable Series Account for such Commercial Paper Notes and, in the case of proceeds of Series A Notes, transfer such proceeds to the applicable Program Subaccount for such Commercial Paper Notes.

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

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

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

(a) Unless interest is otherwise permitted to be financed from the proceeds of Series A Notes by the terms and provisions of the Tax Certificate, on or before 1:00 p.m., New York City time, on the Maturity Date of each Series A Note, the Board shall deposit or cause to be deposited with the Issuing and Paying Agent, as agent for the Trustee, for deposit in the Series A Credit Facility Account, the total amount of interest due on all Series A Notes on such Maturity Date. On or before 2:30 p.m., New York City time, on the Maturity Date of each Series A Note, the Board shall deposit or cause to be deposited with the Issuing and Paying Agent, as agent for the Trustee, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent pursuant to clauses (c) and (e) below, to pay the principal of all Series A Notes on such Maturity Date. In addition to the notice required to be given to the Trustee pursuant to Section 4.04 of the Master Senior Indenture, the Trustee shall notify the Board (or otherwise provide the Board access (electronically or otherwise) to such information) on or before 5:00 p.m., New York City time, on the day prior to such Maturity Date, the total amount due on such Maturity Date.

(b) Unless otherwise provided by the Board, on or before 1:00 p.m., New York City time, on the Maturity Date of each Series B Note, the Board shall deposit or cause to be deposited with the Issuing and Paying Agent, as agent of the Trustee, for deposit in the Series B Credit Facility Account, the total amount of interest due on all Series B Notes on such Maturity Date. On or before 2:30 p.m., New York City time, on the Maturity Date of each Series B Note, the Board shall deposit or cause to be deposited with the Issuing and Paying Agent, as agent for the Trustee, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent pursuant to clauses (d) and (f) below, to pay the principal of all Series B Notes on such Maturity Date. In addition to the notice required to be given to the Trustee pursuant to Section 4.04 of the Master Senior Indenture, the Trustee shall notify the Board (or otherwise provide the Board access (electronically or otherwise) to such information) on or before 5:00 p.m., New York City time, on the day prior to such Maturity Date, the total amount due on such Maturity Date.

(c) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series A Notes shall be deposited into the appropriate Program Subaccount of the Series A Account of the Debt Service Fund and used to pay the principal of and interest on such maturing Series A Notes upon proper presentment thereof or as provided in Section 2.09 hereof. The Issuing and Paying Agent shall promptly notify the Trustee (which notice may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing) upon receipt of such Advance that it has received such Advance and the amount of such Advance.

(d) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series B Notes shall be deposited into the Series B Account of the Debt Service Fund and used to pay the principal of and interest on such maturing Series B Notes upon the proper presentment thereof or as provided in Section 2.09 hereof. The Issuing and Paying Agent shall promptly notify the Trustee (which notice may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing) upon receipt of such Advance that it has received such Advance and the amount of such Advance.

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

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

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

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

### **Section 3.05. Application of Moneys in the Construction Fund.**

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

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

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

necessary for the payment of Project Costs, shall first be transferred to the Trustee for disbursement to any Credit Provider to the extent necessary to reimburse such Credit Provider for any Advances or pay such Credit Provider for any other outstanding Payment Obligations, and then may, at the determination of the Board, be disbursed for any other lawful purpose provided for under the Charter. Prior to the Board disbursing any excess moneys for any lawful purpose, as provided in the previous sentence, there shall be delivered to the Trustee an Opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the Charter and that such use shall not result in the inclusion of interest on any Series A Notes in gross income of the recipient thereof for federal income tax purposes.

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

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

In addition, to the extent that the payment of principal of and interest on any Commercial Paper Notes is supported, in whole or in part, by a Credit Facility or Credit Facilities, the Board may, subject to the terms of this First Supplemental Senior Indenture, by Supplemental Indenture, replace such Credit Facility or Credit Facilities with a substitute Credit Facility or substitute Credit Facilities provided by a substitute Credit Provider or substitute Credit Providers, provided that the conditions set forth in Section 7.01 hereof have been met at the time of delivery of the substitute Credit Facility or substitute Credit Facilities. Upon the replacement of a Credit Facility or Credit Facilities or substitution of a Credit Provider or Credit Providers, the Board shall cause to be prepared a new offering memorandum setting forth the ratings on the Commercial Paper Notes.

The Board designates the Irrevocable Letter of Credit delivered by Union Bank, N.A., as the initial Credit Facility. On or before 12:00 noon, New York City time, on the Maturity Date for any Commercial Paper Note, the Issuing and Paying Agent shall present all required drawing certificates and accompanying documentation, if required, to the Bank and demand payment be made directly to the Issuing and Paying Agent under the Letter of Credit on or prior to 2:00 p.m., New York City time, on such Maturity Date of an amount sufficient to pay the entire amount of principal of and interest becoming due on all Commercial Paper Notes on such date, but not more than the Stated Amount.

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

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

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

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

Notwithstanding anything herein to the contrary, the proceeds of any Advances shall be held uninvested.

## **ARTICLE IV**

### **PLEDGE AND PAYMENT**

The Commercial Paper Notes are Bonds and, as such, are special limited obligations of the City, payable solely from and secured by a pledge of Net Revenues derived by the Board



from the operations of the Enterprise and such other amounts, funds and accounts pledged therefor under the Master Senior Indenture and this First Supplemental Senior Indenture.

The Board, acting on its own behalf and on behalf of the City, hereby pledges, places a lien upon and assigns Net Revenues and such other security set forth in the Granting Clause of the Master Senior Indenture to secure the payment of the principal of and interest on the Commercial Paper Notes, the Bank Note and the Payment Obligations in accordance with their terms. The Net Revenues and such other security set forth in the Granting Clause of the Master Senior Indenture constitute a trust fund for the security and payment of the Commercial Paper Notes, the Bank Note, the Payment Obligations and other parity Bonds, and the holders of the Commercial Paper Notes, the Bank Notes, the Payment Obligations and the holders from time to time of the other Bonds and any other future parity Bonds, shall share *pari passu* without priority or distinction of one over the other in the Net Revenues and such other security set forth in the Granting Clause of the Master Senior Indenture.

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

To the extent the Bank Note, the Payment Obligations and the principal of and interest on Commercial Paper Notes are not to be paid from the sources described in clauses (a) through (f) in the previous paragraph, the Treasurer shall, subject to the rights set forth in the Master Senior Indenture of any holder of Bonds to share in the same, transfer from the Sewer Revenue Fund to the applicable Series Account (and, in the case of Series A Notes, the applicable Program Subaccount) within the Debt Service Fund, Net Revenues and such other amounts, funds and accounts pledged in the Granting Clause of the Master Senior Indenture in amounts sufficient to pay the Bank Note, the Payment Obligations and the principal of and interest on such Commercial Paper Notes as the same become due and payable.

## ARTICLE V

### ISSUING AND PAYING AGENT; DEALER

**Section 5.01. Issuing and Paying Agent.** The Board hereby appoints U.S. Bank National Association as Issuing and Paying Agent and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the Board will enter into the Issuing and Paying

Agent Agreement and the Board will at all times prior to the Termination Date maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to hold funds, as provided in this First Supplemental Senior Indenture, and fulfill the duties and obligations of the Issuing and Paying Agent as set forth in this First Supplemental Senior Indenture.

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

If a Issuing and Paying Agent is not performing its duties hereunder and a successor Issuing and Paying Agent does not take office within 60 days after the retiring Issuing and Paying Agent delivers notice of resignation or the Board delivers notice of removal, the retiring Issuing and Paying Agent, the Board or the Holders of not less than 51% in aggregate Principal Amount of the Commercial Paper Notes may petition any court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent.

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

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

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

filing of any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

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

Any Dealer may at any time resign and be discharged of the duties and obligations created by this First Supplemental Senior Indenture by giving at least sixty (60) days' written notice to the Bank, the Trustee, the Issuing and Paying Agent and the Board; provided, that any Dealer may terminate on not less than thirty (30) days' written notice upon the happening of such conditions as may be set forth in the Dealer Agreement.

Any Dealer may at any time resign and be discharged of its duties and obligations created by this First Supplemental Senior Indenture upon providing the Board, the Credit Provider, and the Issuing and Paying Agent with sixty (60) days' prior written notice. Notwithstanding, the previous sentence, the Board will use its best efforts to replace a Dealer sooner than sixty (60) days after its receipt of notice of a Dealer's resignation. Any Dealer may be removed at any time, at the direction of the Board upon seven (7) days' prior written notice to the Dealer, the Credit Provider, and the Issuing and Paying Agent. Upon removal or resignation of the Dealer, the Board shall promptly cause the Issuing and Paying Agent to give notice thereof by mail to all Holders of the Commercial Paper Notes and to any rating agency which has assigned a rating to the Commercial Paper Notes.

## ARTICLE VI

### TAX COVENANTS

**Section 6.01. Rebate Fund.** The Board, on its own behalf and on behalf of the City, hereby agrees that it will enter into the Tax Certificate and will thereunder create the "City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A Rebate Fund" (the "**Rebate Fund**"), which fund will be held and maintained by the Trustee and will be funded by the Board, including amounts directed by an Authorized Board Representative pursuant to Section 3.07 hereof to be deposited therein, if so required under the Tax Certificate and amounts in such Rebate Fund shall be held and disbursed in accordance with the Tax Certificate.

The Trustee shall establish within the Rebate Fund a Program Account for each commercial paper "program" as described in the Tax Certificate. All money at any time deposited in the Rebate Fund (or any Program Account therein) in accordance with the provisions of the Tax Certificate shall be held by the Trustee in trust for payment to the federal government of the United States of America, and neither the Board nor any Holder of Commercial Paper Notes shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this First Supplemental Senior

Indenture and by the Tax Certificate. Money shall not be transferred from the Rebate Fund except in accordance with the Tax Certificate.

**Section 6.02. Preservation of Tax Exemption**

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

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

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

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

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

Section 103(c) of the Code. The Board shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations.

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

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

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

## ARTICLE VII

### MISCELLANEOUS

**Section 7.01. Substitute Letter of Credit.** Notwithstanding anything herein (except as otherwise provided in Section 3.06 hereof) to the contrary, the Board may obtain a substitute Letter of Credit to replace the Letter of Credit then in effect hereunder so long as said substitute Letter of Credit shall go into effect at least one (1) Business Day prior to the termination of the Letter of Credit then in effect and the Letter of Credit Termination Date with respect to such substitute Letter of Credit shall be no earlier than one year after its date. At any time a Letter of

Credit is assigned by one Bank to another Bank (excluding assignments between agencies or branches of the same Bank), such assignment shall be considered a substitution of the Letter of Credit for purposes of this First Supplemental Senior Indenture. The following are further conditions to the Issuing and Paying Agent's ability to release an existing Letter of Credit and accept a substitute Letter of Credit:

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

(b) All Outstanding Commercial Paper Notes shall mature on the date such substitute Letter of Credit is delivered to the Issuing and Paying Agent and becomes effective pursuant to its terms.

(c) The Issuing and Paying Agent shall make a draw on the existing Letter of Credit on such substitution date in an amount sufficient to pay the entire amount of principal of and interest becoming due on all such Commercial Paper Notes.

(d) An Opinion of Bond Counsel shall be delivered to the effect that the delivery of such substitute Letter of Credit will not, in and of itself, (i) adversely affect the exclusion of interest on the Outstanding Series A Notes from gross income for federal income tax purposes and (ii) if Series A Notes are Outstanding, cause such Series A Notes to become subject to the alternative minimum tax under the Code.

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

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

**Section 7.02. Rights of Bank.** As provided in Article XI of the Master Senior Indenture, the Bank is hereby granted the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings provided in Article VIII of the Master Senior Indenture to the same extent and in place of the Holders of the Commercial Paper Notes, and, for such purposes, the Bank shall be deemed the exclusive Holder of the Commercial Paper Notes, except that such rights hereby provided to the Bank shall be disregarded and be of no effect if the Bank has failed to honor a properly presented and conforming Drawing under the Letter of Credit.

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

**Section 7.04. Payment Obligations Afforded Status of Bonds.** Pursuant to Section 2.12 of the Master Senior Indenture, the Payment Obligations owed by the Board to the Bank shall be Repayment Obligations for purposes of the Master Senior Indenture and this First

Supplemental Senior Indenture and shall be afforded the status of a Bond and the Bank shall be the Holder subject to the payment terms established in the Reimbursement Agreement.

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

**Section 7.06. Timeliness of Deposits.** Funds shall be deemed transferred for purposes of timeliness of receipt under this First Supplemental Senior Indenture when transfer instructions for transfer by federal reserve wire have been given and a federal wire number confirmation has been received; provided that the party to receive such funds shall not be required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

**Section 7.07. Defeasance of Commercial Paper Notes.** Commercial Paper Notes shall not be deemed to have been paid in full within the meaning of Article VII of the Master Senior Indenture unless payment of the principal of and interest on the Commercial Paper Notes (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and the Master Senior Indenture or (b) shall have been provided for by irrevocably depositing with the Issuing and Paying Agent, as agent of the Trustee, in trust and irrevocably setting aside exclusively for such payment (i) Available Moneys sufficient to make such payment and/or (ii) noncallable Federal Securities purchased with Available Moneys, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; provided, in each case, that the Issuing and Paying Agent, as agent of the Trustee, shall have been irrevocably instructed (by the terms of this First Supplemental Senior Indenture and the Master Senior Indenture) to apply such money to the payment of the principal of and interest on such Commercial Paper Notes; and provided, further, that the Board, the Issuing and Paying Agent and the Trustee shall have received in form and substance satisfactory to each (A) a report of an Independent nationally recognized accounting firm verifying the sufficiency of the escrow established to pay the principal of and interest on the Commercial Paper Notes Bond in full on the maturity date; (B) if determined to be necessary by the Board and the Issuing and Paying Agent, an escrow deposit agreement, and (C) an opinion of Bond Counsel to the effect that such Commercial Paper Notes are no longer "Outstanding" under the Master Senior Indenture.

**Section 7.08. Notices.**

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

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when delivered by hand or mailed by certified,

registered or first-class mail, postage prepaid, addressed to the Board or the Trustee at the addresses provided in the Master Senior Indenture, to the Bank at the address provided in the Reimbursement Agreement, and to the Issuing and Paying Agent and the Dealer at the following addresses:

Issuing and Paying Agent: U.S. Bank National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Services  
Telephone: (212) 361-6140  
Facsimile: (212) 509-4529

Dealer: Barclays Capital Inc.  
745 Seventh Avenue, 7th Floor  
New York, New York 10019  
Attention: Municipal Short-term Desk  
Telephone: (212) 528-1011  
Facsimile: (646) 758-1904

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

**Section 7.09. Facsimile Notification.** The Board, the Trustee and the Issuing and Paying Agent agree to accept and act upon all facsimiles of written notices, instructions and/or directions to this First Supplemental Senior Indenture provided, however that: (a) the Board, the Trustee and the Issuing and Paying Agent, as applicable, subsequent to such facsimile transmission of written notices, instructions and/or directions, shall provide the originally executed notice, instruction and/or direction to the Board, the Trustee and the Issuing and Paying Agent, as applicable, in a timely manner, (b) such originally executed notice, instruction and/or direction shall be signed by a person as may be designated and authorized to sign for the Board, the Trustee and the Issuing and Paying Agent, as applicable and, (c) the Board, the Trustee and the Issuing and Paying Agent shall provide to the Board, the Trustee and the Issuing and Paying Agent, as applicable, an incumbency certificate listing such designated persons which such incumbency certificate shall be amended whenever a person is to be added or deleted from the listing.

**Section 7.10. Notices to Rating Agencies.** The Board agrees to give notices to the Rating Agencies of (a) the appointment of any successor Issuing and Paying Agent or Dealer, (b) any amendment of this First Supplemental Senior Indenture, the Reimbursement Agreement, the Letter of Credit or any other a Credit Facility, (c) the substitution, termination, extension or renewal of the Letter of Credit or any other Credit Facility, (d) the defeasance of all of the Outstanding Commercial Paper Notes, and (e) the termination of the Commercial Paper Program. Such notices shall be sent to S&P at 55 Water Street, New York, New York 10041 and to Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 or at such other address as either shall supply to the Trustee.



**Section 7.11. Limitation of Rights.** Nothing expressed or implied in this First Supplemental Senior Indenture shall give any person other than the Trustee, the Board, the Bank, any other Credit Provider, the Issuing and Paying Agent and the Hlders of the Commercial Paper Notes any right, remedy or claim under or with respect to this First Supplemental Senior Indenture.

**Section 7.12. Severability.** If any provision of this First Supplemental Senior Indenture shall be determined to be unenforceable, that shall not affect any other provision of this First Supplemental Senior Indenture.

**Section 7.13. Payments or Actions Occurring on Non-Business Days.** If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period.

**Section 7.14. Force Majeure.** In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

**Section 7.15. Governing Law.** This First Supplemental Senior Indenture shall be governed by and construed in accordance with the laws of the State; provided however, the administration of the trusts imposed upon the Trustee by the Master Senior Indenture and this First Supplemental Senior Indenture and the rights and duties of the Trustee and the Issuing and Paying Agent under the Master Senior Indenture and hereunder shall be governed by, and construed in accordance with the laws of the jurisdiction in which the Trustee and the Issuing and Paying Agent have their designated principal corporate trust offices.

**Section 7.16. Patriot Act.** The Trustee hereby notifies the Board that in accordance with Section 326 of the Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The Board agrees that it will provide the Trustee with such information as they may request in order for the Trustee to satisfy the requirements of the Patriot Act.

**Section 7.17. Captions.** The captions in this First Supplemental Senior Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this First Supplemental Senior Indenture.

**Section 7.18. Counterparts.** This First Supplemental Senior Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of First Supplemental Senior Indenture]

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

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its own  
behalf and on behalf of the City of Long Beach

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

Attest:

By \_\_\_\_\_  
Secretary to the Board

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Officer

[Signature page to First Supplemental Trust Indenture]

**EXHIBIT A-1**  
**FORM OF SERIES A NOTE**

CITY OF LONG BEACH, CALIFORNIA  
SEWER REVENUE COMMERCIAL PAPER NOTE  
SERIES A—[\*]  
(TAX-EXEMPT)

NOTE NO. \_\_\_\_\_ PRINCIPAL AMOUNT: \$ \_\_\_\_\_

MATURITY DATE:	INTEREST RATE:	ORIGINAL ISSUE DATE:	INTEREST AMOUNT:	CUSIP
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REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

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

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

The Board has entered into a Master Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "Master Senior Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"). Such Master Senior Indenture provides that the Board, acting on its own behalf and on behalf of

the City, may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Senior Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds." This Note constitutes a "Bond" within the meaning of the Master Senior Indenture and is secured in the manner provided in the Master Senior Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the Board (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State and Resolution No. WD-[ ] of the Board adopted on [ ], 2009 (the "Resolution").

This Note is part of a program of Commercial Paper Notes of the Board issued under the Master Senior Indenture and the First Supplemental Senior Trust Indenture, dated as of [ ] 1, 2009 (the "First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture") by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$20,000,000 outstanding at any one time and designated as City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the "Commercial Paper Notes"). The Commercial Paper Notes will, at the time of issuance, be designated as Series A or Series B. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series A Projects," and Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series B Projects." The Series A Notes and the Series B Notes are equally and ratably secured under the Senior Indenture. The Master Senior Indenture also provides for the incurrence of additional debt, including the issuance of additional Bonds, to be secured under the Master Senior Indenture equally and ratably with the Commercial Paper Notes.

This Note shall be payable solely from and secured by a lien upon and pledge of the Net Revenues, such other amounts, funds and accounts pledged therefor under the Senior Indenture, the proceeds of Commercial Paper Notes issued to retire this Note and from amounts available to the Issuing and Paying Agent under the Letter of Credit (as defined in the First Supplemental Senior Indenture).

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

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

IN WITNESS WHEREOF, the Board has caused this Commercial Paper Note to be signed in its name and on its behalf by the [manual/facsimile] signature of its President [and a [manual/facsimile] of its seal thereof to be imprinted hereon] and attested by the [manual/facsimile] signature of its Secretary, as of the date of issue set forth on this Commercial Paper Note.

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its own  
behalf and on behalf of the City of Long Beach

[Seal]

By: \_\_\_\_\_  
President

Attest:

By \_\_\_\_\_  
Secretary of the Board

**CERTIFICATE OF AUTHENTICATION**

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

U.S. BANK NATIONAL ASSOCIATION, as  
Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

Date of Authentication: \_\_\_\_\_

**[FORM OF ASSIGNMENT]**

I or we assign and transfer to

Insert social security or other  
identifying number of assignee

[\_\_\_\_\_]

[\_\_\_\_\_]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

\_\_\_\_\_ agent to transfer this Note on the books of the Board. The  
agent may substitute another to act for him.

Dated: \_\_\_\_\_

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

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



**EXHIBIT A-2**

**FORM OF SERIES B NOTE**

**CITY OF LONG BEACH, CALIFORNIA  
SEWER REVENUE COMMERCIAL PAPER NOTE  
SERIES B  
(TAXABLE)**

NOTE NO. \_\_\_\_\_ PRINCIPAL AMOUNT: \$ \_\_\_\_\_

MATURITY DATE:	INTEREST RATE:	ORIGINAL ISSUE DATE:	INTEREST AMOUNT:	CUSIP
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REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

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

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

The Board has entered into a Master Senior Trust Indenture, dated as of [ ] 1, 2009 (the "Master Senior Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"). Such Master Senior Indenture provides that the Board, acting on its own behalf and on behalf of

the City, may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Senior Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds." This Note constitutes a "Bond" within the meaning of the Master Senior Indenture and is secured in the manner provided in the Master Senior Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the Board (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State and Resolution No. WD-[ ] of the Board adopted on [ ], 2009 (the "Resolution").

This Note is part of a program of Commercial Paper Notes of the Board issued under the Master Senior Indenture and the First Supplemental Senior Trust Indenture, dated as of [ ] 1, 2009 (the "First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture") by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$20,000,000 outstanding at any one time and designated as City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the "Commercial Paper Notes"). The Commercial Paper Notes will, at the time of issuance, be designated as Series A or Series B. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series A Projects," and Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series B Projects." The Series A Notes and the Series B Notes are equally and ratably secured under the Senior Indenture. The Master Senior Indenture also provides for the incurrence of additional debt, including the issuance of additional Bonds, to be secured under the Master Senior Indenture equally and ratably with the Commercial Paper Notes.

This Note shall be payable solely from and secured by a lien upon and pledge of the Net Revenues, such other amounts, funds and accounts pledged therefor under the Senior Indenture, the proceeds of Commercial Paper Notes issued to retire this Note and from amounts available to the Issuing and Paying Agent under the Letter of Credit (as defined in the First Supplemental Senior Indenture).

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

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

IN WITNESS WHEREOF, the Board has caused this Commercial Paper Note to be signed in its name and on its behalf by the [manual/facsimile] signature of its President [and a [manual/facsimile] of its seal thereof to be imprinted hereon] and attested by the [manual/facsimile] signature of its Secretary, as of the date of issue set forth on this Commercial Paper Note.

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its own  
behalf and on behalf of the City of Long Beach

[Seal]

By: \_\_\_\_\_  
President

Attest:

By \_\_\_\_\_  
Secretary of the Board

**CERTIFICATE OF AUTHENTICATION**

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

U.S. BANK NATIONAL ASSOCIATION, as  
Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

Date of Authentication: \_\_\_\_\_

**[FORM OF ASSIGNMENT]**

I or we assign and transfer to

Insert social security or other  
identifying number of assignee

[ \_\_\_\_\_ ]

[ \_\_\_\_\_ ]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

\_\_\_\_\_ agent to transfer this Note on the books of the Board. The  
agent may substitute another to act for him.

Dated: \_\_\_\_\_

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

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

**EXHIBIT B**  
**SERIES A PROJECTS**

**EXHIBIT C**  
**SERIES B PROJECTS**

**EXHIBIT D**

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

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

CITY OF LONG BEACH, CALIFORNIA  
SEWER REVENUE COMMERCIAL PAPER NOTE  
MASTER NOTE  
SERIES [A/B]  
[TAX-EXEMPT/TAXABLE]

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Not to exceed Twenty Million Dollars (\$20,000,000) Outstanding

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

The Board, acting on its own behalf and on behalf of the City, for value received, hereby promises to pay, but solely from the revenues, income and other moneys hereinafter mentioned, to the registered owner hereof (herein called “the Holder”), the Principal Amount, together with interest on said Principal Amount, if any, on the Maturity Date of each obligation identified on the records of the Board (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”) under the Issuing and Paying Agent Agreement, dated as of [ ] 1, 2009 (the “Issuing and Paying Agent Agreement”) by and between the Board, acting on its own behalf and on behalf of the City, and the Issuing and Paying Agent, and the First Supplemental Senior Indenture (as hereinafter defined). Interest shall be calculated on



the basis of a year containing [365/366][360] days and actual number of days elapsed at the rate specified in the Underlying Records. The principal of and interest on this Master Note shall be payable in lawful money of the United States of America by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

The Board has entered into a Master Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "Master Senior Indenture") with U.S. Bank National Association, as trustee (the "Trustee"). Such Master Senior Indenture provides that the Board acting on its own behalf and on behalf of the City, may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Senior Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds." This Master Note constitutes a "Bond" within the meaning of the Master Senior Indenture and secured in the manner provided in the Master Senior Indenture.

This Master Note is one of a duly authorized issue of commercial paper notes of the Board (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State of California and Resolution No. WD-[\_\_\_\_\_] of the Board adopted on [\_\_\_\_\_] 2009 (the "Resolution").

This Master Note is part of a program of Commercial Paper Notes of the Board issued under the Master Senior Indenture and the First Supplemental Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture") by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The program of which this Master Note is a part is authorized in the aggregate principal amount not to exceed \$20,000,000 outstanding at any one time and designated as City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the "Commercial Paper Notes"). The Commercial Paper Notes will, at the time of issuance, be designated as Series A or Series B. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series A Projects," and Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Senior Indenture as "Series B Projects." The Series A Notes and the Series B Notes are equally and ratably secured under the Senior Indenture. The Master Senior Indenture also provides for the incurrence of additional debt, including the issuance of additional Bonds, to be secured under the Master Senior Indenture equally and ratably with the Commercial Paper Notes.

This Master Note shall be payable solely from and secured by a lien upon and pledge of the Net Revenues, such other amounts, funds and accounts pledged therefor under the Senior Indenture, the proceeds of Commercial Paper Notes issued to retire this Master Note and from amounts available to the Issuing and Paying Agent under the Letter of Credit (as defined in the First Supplemental Senior Indenture).

This Master Note shall not be entitled to any security, right or benefit under the Senior Indenture or become valid or obligatory for any purpose until it shall have been authenticated by

the Issuing and Paying Agent by its execution of the certificate of authentication endorsed hereon.

Reference is hereby made to the Senior Indenture and the Issuing and Paying Agent Agreement for a description of the terms on which the Commercial Paper Notes are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights of the registered owners of the Commercial Paper Notes; and all the terms of the Senior Indenture and the Issuing and Paying Agent Agreement are hereby incorporated herein and made a contract between the Board, acting on its own behalf and on behalf of the City, and the registered owner from time to time of this Master Note, by its acceptance hereof, consents and agrees.

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

IN WITNESS WHEREOF, the Board has caused this Master Note to be signed in its name and on its behalf by the [manual/facsimile] signature of its President [and a [manual/facsimile] of its seal thereof to be imprinted hereon] and attested by the [manual/facsimile] signature of its Secretary, as of the date of issue set forth on this Master Note.

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its own  
behalf and on behalf of the City of Long Beach

[Seal]

By: \_\_\_\_\_  
President

Attest:

By \_\_\_\_\_  
Secretary of the Board

**CERTIFICATE OF AUTHENTICATION**

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

U.S. BANK NATIONAL ASSOCIATION, as  
Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

Date of Authentication: \_\_\_\_\_

**[FORM OF ASSIGNMENT]**

I or we assign and transfer to

Insert social security or other  
identifying number of assignee

[ \_\_\_\_\_ ]

[ \_\_\_\_\_ ]

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_ agent to transfer this Master Note on the books of the

Board. The agent may substitute another to act for him.

Dated: \_\_\_\_\_

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

Signature guaranteed: \_\_\_\_\_

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

**EXHIBIT E**

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

**BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH  
SENIOR SEWER REVENUE COMMERCIAL PAPER NOTES**

To: [DEALER]

**NOTICE OF ISSUANCE OF COMMERCIAL PAPER NOTES**

The undersigned Designated Representative, on behalf of the Board of Water Commissioners of the City of Long Beach (the "Board") pursuant to that certain Master Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "Master Senior Indenture"), by and between the Board, acting on its own behalf and on behalf of the City of Long Beach, California (the "City"), and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Senior Trust Indenture, dated as of [\_\_\_\_\_] 1, 2009 (the "First Supplemental Senior Indenture" and together with the Master Senior Indenture, the "Senior Indenture") by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee, hereby directs you as follows:

(a) Pursuant to Resolution No. WD-[\_\_\_\_\_] adopted by the Board on [\_\_\_\_\_] 2009 and the Senior Indenture, the Board 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) Pursuant to Section 2.07 of the First Supplemental Senior Indenture, a Designated Representative may from time to time authorize the issuance of Commercial Paper Notes.

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

<b>Series</b>	<b>Program</b>	<b>Subseries</b>	<b>Aggregate Principal Amount</b>
---------------	----------------	------------------	-----------------------------------

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

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

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

(f) If any Advances are outstanding, the Board agrees to provide the Bank a copy of this Notice of Issuance of Commercial Paper Notes.

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

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

BOARD OF WATER COMMISSIONERS OF  
THE CITY OF LONG BEACH, acting on its  
own behalf and on behalf of the City of Long  
Beach

By \_\_\_\_\_  
Designated Representative

Cc: Issuing and Paying Agent  
Bank